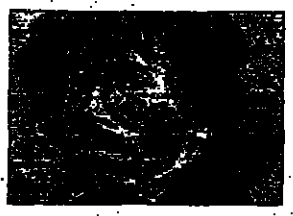
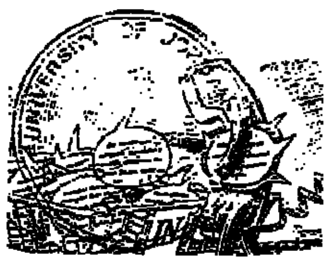


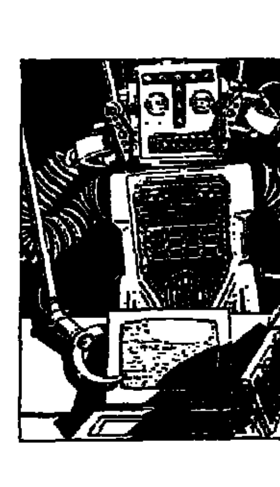
France & the ERM
Hard choices in a currency crisis
Pages 2 & 3

Opel in eastern Germany
General Motors brings in lean production
Page 15



You keep me hanging on
Voice mail sweeps across Europe
Page 9

Survey
Computers in manufacturing
Page 23-25



FT NEWSPAPER of THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper — THURSDAY SEPTEMBER 24 1992 — D8523A

US consortium's bid for Canary Wharf rejected

Bankers to the financially troubled Canary Wharf property development in east London have rejected the only serious bid for the project from a consortium led by US financiers Larry Tisch and Lewis Ranieri.

This leaves the bankers with no prospect of securing outside capital for a vital private sector contribution to the costs of extending the Jubilee Underground line. They must decide in the next few days whether they will provide the £170m ($290.7m) needed. Page 14; Chemical Bank's move, Page 8

French flood toll reaches 29: At least 29 people have been killed in flash floods and fierce storms that ravaged the Ardeche, Vaucluse and Drome regions in south-east France, according to municipal officials. At least 40 people are missing after Tuesday night's storms. Picture, Page 4

Porsche chief executive Arno Bohn, 45, is to step down at the end of the month because of what the sports car maker called "differences of opinion" over business policy. Main board director Wendelin Wiedeking, 40, will take his place. Page 15

Panic under duress: A United Nations decision taken early yesterday to exclude the rump Yugoslavia from the general assembly will sharpen divisions inside Serbia and could decide the fate of prime minister Milan Panic, his advisers said. Page 4; Picture, Page 14

Treaty threat to Major: UK prime minister John Major may have difficulty in ensuring British ratification of the Maastricht treaty after 40 MPs in the ruling Conservative party expressed their readiness to defy the government over the document. Page 14; Enemy within, Page 8; Editorial Comment, Page 12

Perot thinks again: Texas billionaire Ross Perot may decide next week whether to revive his US presidential campaign which he abandoned in July. He said this week he made a mistake in pulling out. Page 14

IMF backs Brazil debt plan: The International Monetary Fund plans to provide a letter of support to a debt restructuring agreement by Brazil and its commercial bank creditors, even though the government is out of compliance with an IMF stand-by loan programme. Page 7

UK minister under pressure: Heritage secretary David Mellor, UK minister responsible for the arts and national treasures, came under further pressure after senior MPs indicated they would review his future today. He has been accused of accepting offers of hospitality from wealthy friends without recording them in an official register. Page 8

Allied-Signal, US industrial technology company which is being restructured, said it would be selling its 39 per cent stake in Union Texas Petroleum in a public offering likely to raise around $600m gross. Page 15

Swedish GNP shrinks: Sweden's economy is expected to show negative growth for the second year in succession after figures were released showing a 1.2 per cent drop in gross national product in the first half of this year. Page 4

Taiwan stock defaults probe: Four Taiwanese market players were detained by authorities investigating an estimated T$8bn ($315.5m) of stock defaults. Page 6

Black & Decker shares fell sharply after the US household equipment maker cautioned that no earnings growth should be expected in the third quarter. Page 17

Prizes capped: Nobel prizes, which have more than doubled in value in recent years, are to be pegged close to their present levels in future. Geir Lundestad, head of the Norwegian Nobel Institute, said. This year's prizes are each worth SKr6.5m.

Spying together: Germany's Intelligence agency has opened an official bureau in Moscow to help to combat organised crime, drug smuggling and terrorism.

Iraq cash plan: The US and its allies plan to press for a UN resolution to force the release hundreds of millions of dollars in frozen Iraqi funds to pay for humanitarian work in Iraq, a top Bush administration official said.

Koreans kidnapped: Four South Koreans at a construction site in southern Iran were kidnapped by gunmen. An Iranian worker was reported killed in the attack, 120 miles from Bandar Abbas.

■ STOCK MARKET INDICES		
FT-SE 100	2,580.5	(-5.5)
Yield	4.67	
FT-SE Eurotrack 100	1,043.77	(-0.57)
FT-A All-Share	1,210.92	(-0.1%)
FT-A World Index	141.34	(+0.1%)
Nikkei	closed	
New York:		
Dow Jones Ind Ave	3,278.69	(-2.16)
S&P Composite	417.44	(+0.3)
■ US CLOSING RATES		
Federal Funds	3%	(same)
3-mo Treas Bills: Yld	2.972%	(same)
Long Bond	97 1/32	(97 7/16)
Yield	7.463%	(7.459%)
■ LONDON MONEY		
3-mo Interbank	8 7/8%	(9 1/8%)
Liffe long gilt future	Sep 98 1/2	(Sep 97 1/2)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Nov)	$20.675	(20.45)
■ Gold		
New York Comex (Sept)	$348.6	(348.8)
London	$348.35	(349.85)

■ STERLING		
New York:		
$	1.716	(1.695)
London:		
$	1.7085	(1.709)
DM	2.566	(2.545)
FFr	8.7525	(8.72)
SFr	2.2375	(2.225)
Y	205.25	(207.0)
£ Index	83.6	(83.3)
■ DOLLAR		
New York:		
DM	1.4955	(1.4975)
FFr	5.088	(5.1075)
SFr	1.3055	(1.305)
Y	120.85	(120.97)
London:		
DM	1.5015	(1.4895)
FFr	5.1225	(5.1025)
SFr	1.3095	(1.302)
Y	120.1	(121.15)
$ Index	61.8	(61.7)
Tokyo Closed		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr160	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 18,000	Turkey	L8000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

France and Germany unite to defend franc

By Our Economics and Foreign Staff

GERMANY and France yesterday forged a united front to defend the French franc and the remains of the European Monetary System from renewed speculative attack but were still unsure of victory after a day of intense currency trading.

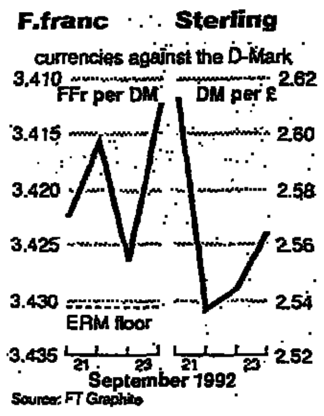
As the European exchange rate mechanism experienced another day of crisis, France pushed its short-term interest rates sharply higher and both the German Bundesbank and Bank of France intervened heavily in support of the franc. For the first time, the Bundesbank intervened within the official margins of the ERM in support of another currency.

Strains were apparent elsewhere in the ERM as Spain reintroduced capital controls to protect the peseta less than eight months after lifting them and within a week of devaluing the Spanish currency by 5 per cent. The punt remained under intense selling pressure, while the escudo closed weak.

The selling of the franc produced a bitter – even bloodthirsty – response from Mr Michel Sapin, the French finance minister. "During the [French] revolution, such people were known as speculators and they were beheaded," he said. "We must make the speculators pay...hit them where it hurts – in their wallets", he added.

Several analysts suggested last night that France's foreign exchange reserves were exhausted, but there was no official information to back these claims. Currency dealers in London estimated that the Bank of France could have spent more than FFr50bn ($10bn) worth of foreign currency, or more than half its reserves, in recent days to defend the franc.

Madrid introduces capital controls to prop up peseta



Source: FT Graphite

Estimates of Bundesbank intervention over the past two days ranged between DM10bn and DM30bn ($6.7bn-$20bn).

The Franco-German attempt to crush the speculation started at dawn yesterday. As currency trading began in Paris, the Bank of France raised its five to 10 day repurchase rate from 10.5 per cent to 13 per cent, triggering a sharp rise in money market rates.

It was the first increase since last December in the repurchase rate, at which commercial banks borrow short-term money from the French central bank, often to fund currency dealings.

At the same time, the central banks and finance ministries of France and Germany issued a rare joint statement stressing that there was no justification for a change in the EMS parity between the franc and the D-Mark. "France and Germany will fight this speculation, which is based on no economic fundamentals", Mr Sapin said.

This verbal support was followed by more heavy intervention by both central banks. The Bundesbank openly intervened to support the franc at levels above its mandatory intervention point against the D-Mark, the first time that it has acted in this way since the ERM began in 1979.

By last night, the battle between the markets and the central banks seemed evenly matched. The franc closed in London at FFr3.4120 to the D-Mark, slightly stronger than on Tuesday but still close to its lower limit of FFr3.4305.

However, several analysts believe another French interest rate rise could be on the way, perhaps in the central bank's intervention rate. This rate, which was left unchanged yesterday, is the one that determines French base rates which currently stand at 9.85 per cent.

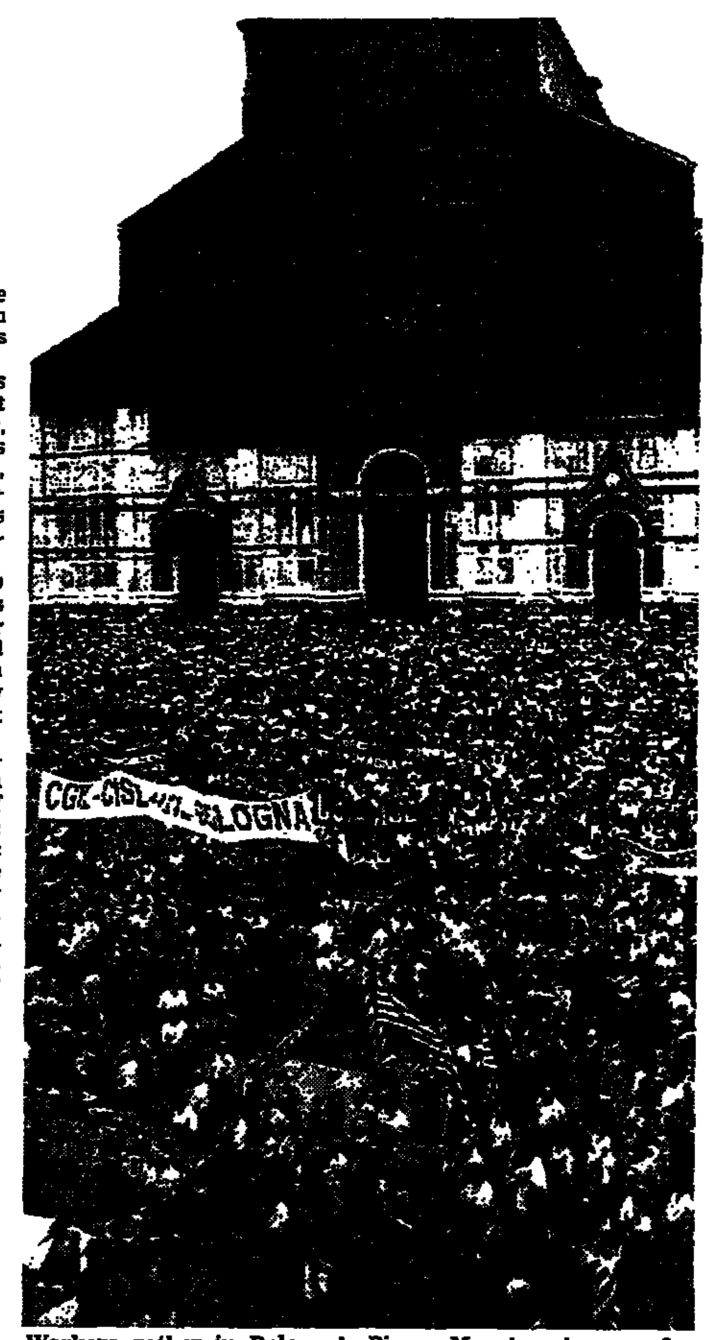
Madrid's decision effectively to reintroduce exchange controls was taken to avoid a further interest rate rise. Spain decided to force domestic banks to match loans to foreign investors by depositing an equal sum, interest free, with the Bank of Spain.

The move represented a humiliating climb down for Spain which had hailed the removal of controls earlier this year as an important step in its economic integration with the rest of the European Community. Yesterday it was reported that the European Commission in Brussels had been in touch with the Spanish authorities to establish whether these controls were compatible with EC single market laws.

The crisis in the European currency markets helped push the yen to an all-time high of Y119.8 against the dollar, breaking the previous record of Y120.45 recorded in January 1988.

For the second day in a row, Japanese investors were reported to be repatriating their European currency investments and converting them into yen.

Mr Nicholas Brady, the US treasury secretary, yesterday called on leading nations to carry out an new examination of global capital flows.



Workers gather in Bologna's Piazzo Maggiore in one of a series of nationwide protests against Italian government austerity measures Amato calls for confidence vote, Page 4

Leaders aim to ease Maastricht fears

By William Dawkins in Paris and Christopher Parkes in Bonn

CHANCELLOR Helmut Kohl and President François Mitterrand want next month's European Community summit to issue a special statement designed to soothe popular fears that economic and political union will rob people of their national identity.

The German and French leaders, who discussed the idea of an "interpretive declaration" on the Maastricht treaty in Paris on Tuesday night, are expected now to press other EC leaders for support.

Mr Mitterrand and Mr Kohl agreed at their meeting that the lesson of the narrow Yes vote in the French referendum on Maastricht, was that the European Community had become remote from ordinary people, an Elysée official said.

The aim over the next few weeks should be to discuss how community decision-making could be made more transparent and more democratic, he added.

The summit, scheduled for October 16 in London, should then brief the Commission to prepare firm proposals which could be taken up at the next summit in Edinburgh during December.

France was keen that they should complement the report on subsidiarity called for by Mr John Major, the British prime

Continued on Page 14

Brussels speaks up against critics

By David Gardner and Andrew Hill in Brussels

THE European Commission yesterday launched a strong counter-attack against the recent barrage of accusations of bureaucratic meddling and power-grabbing.

Senior officials fear the growing criticism could presage the Commission's emasculation, or at least damaging legislative paralysis.

Mr Jacques Delors, the Commission president, was described yesterday by a senior official as feeling "distinctly bruised" after the German chancellor, Helmut Kohl, hitherto the Commission's most powerful ally, hinted late on Tuesday that Brussels' powers might have to be curbed.

Commissioners, who devoted their weekly meeting yesterday to discussing the Maastricht treaty crisis, reacted immediately, by wheeling out two of their big guns to defend Brussels' role in the Community.

Mr Martin Bangemann, the German commissioner in charge of the internal market, used the pretext of a mundane piece of single market legislation – on the technical harmonisation of motorcycles – to defend Brussels' mission. "In normal circumstances I wouldn't bore you with such a directive", he told journalists, but "the work done by EC institutions has constantly to be explained".

He argued that this was a perfect example of "subsidiarity", which in his view meant action taken "at the most appropriate level". This was a case, he said "where only European legislation can solve the problem".

Despite Mr Bangemann's confident exposition, on Tuesday he himself sought the endorsement of the 12 internal market ministers for the legislation, even though they had given their go-ahead to the principle of technical harmonisation in June.

Some of Mr Bangemann's Commission colleagues had challenged the measure, fearing that it might be portrayed as

Continued on Page 14

British Aerospace hit by big loss and £750m write-off

By Paul Betts in London

BRITISH AEROSPACE'S share price fell 43 per cent yesterday after it announced the closure of its historic Hatfield plant in Hertfordshire with the loss of 3,000 jobs and a proposed joint venture with Taiwan to manufacture regional jets.

The move, part of a sweeping attempt to secure the future of one of Britain's biggest manufacturing companies, was coupled with the announcement of a £129m ($221m) first half loss and a £750m write-off – to be taken in the second half – on its regional aircraft operations.

The collapse of the share price, down 86p to 113p, revived speculation that BAe could be vulnerable to a takeover. Its market capitalisation of £426m last night is less than the £432m it raised in a rights issue last year.

The restructuring, which includes the proposed joint regional jet venture with Taiwan Aerospace, was last night attacked by unions and opposition MPs as another devastating blow for British manufacturing industry.

The move follows the arrival four months ago of Mr John Cahill, BAe's chairman, who was charged with restoring the credibility and profitability of the company shaken by a top management crisis and losses in its commercial aircraft, Rover car and property operations.

Mr Cahill defended the rationalisation programme as "the best way forward" for the company, which lost £278m in its commercial aircraft operations in the first half. These losses coupled with £31m losses at Rover wiped out the £296m profits BAe made in its defence business.

The company also cut its interim dividend from 8.9 to 3p and is undertaking a capital reduction to cover the cost of its £750m restructuring programme.

Although BAe said its proposed joint venture with Taiwan would protect jobs in the UK, the overall impact of the restructuring would lead to 3,000 job cuts including 2,060 at Hatfield, the home of the Comet and the Trident before the BAe 146 regional jet.

Another 1,000 jobs will be lost at the company's Woodford and Chadderton plants near Manchester as a result of the restructuring which will see turboprop aircraft production concentrated at Prestwick in Scotland.

BAe has already shed 4,500 jobs this year in its commercial aircraft and defence activities.

Although BAe's defence activities remain strongly profitable, City sentiment was also hit by the company's failure so far to announce a long expected new Saudi Arabian order for Tornado and Hawk aircraft.

Out of the flying pan, Page 13
Lex, Page 14
Background and results, Page 20

CONTENTS

NEWS: THE ERM AND MAASTRICHT

French franc proves a tough nut to crack

German commitment to preserve the parity of the embattled currency has yet to face ultimate test

By Peter Norman, William Dawkins and James Blitz

IT HAS been the French franc's turn to become the target of currency speculators *this week.*

But events yesterday suggested that the embattled French currency will be a tougher nut to crack than sterling or the Italian lira.

As the authorities in Paris, Bonn and Frankfurt stepped up their efforts to support the franc, the tussle to maintain its position in the European exchange rate mechanism crystallised into a struggle between market forces and a number of powerful political imperatives.

The shock waves from a devaluation of the franc or its forced exit from the ERM *would be felt far beyond Paris,* where such a move would mark a humiliating end to the French government's *franc fort* policy. Failure to hold the franc would deal a crippling blow to what is left of the EMS *as a zone of monetary stability* in Europe and mark its final eclipse as a building block towards greater European integration.

The French economy is fundamentally stronger than *Britain's, or even Germany's,* leaving no economic reason for a franc devaluation.

French inflation has been below the German rate since June 1991, its hourly wage costs are 16 per cent below *those in Germany* and it runs a tighter control of its budget than its neighbour. France's budget deficit was 2.1 per cent of gross domestic product last year, as against Germany's 2.9 per cent.

Franc devaluation would penalise a virtuous currency.

That the battle for the franc is qualitatively different from those last week to prop up the British and Italian currencies was highlighted yesterday by the powerful joint efforts of Germany and France to *support the currency.*

Not only did the Bank of France raise its important five to 10 day repurchase rate by 2½ percentage points to 13 per cent, the French authorities then intervened continuously *in the market throughout the* morning, buying francs, to support the currency.

In addition, in an unusual move demonstrating solidarity, the Bank of France, the Bundesbank, the French finance ministry and the finance ministry in Bonn issued a joint statement, declaring that there was no justification for a change in the franc's parity.

Yesterday, these efforts appeared to be meeting with some success. Unlike sterling the week before, the franc *responded positively and* immediately to the central bank's decision to raise rates. Thus far, there has been no risk of the currency falling below its floor.

"The difference between *what is happening to the franc* now and what happened to sterling and the lira last week is that many people agreed that they were overvalued. Both the Bundesbank and the Banque de France are solidly *in favour of holding the value* of the franc," said Mr Philippe D'Arvisenet, a vice president at Banque Nationale de Paris, the leading state-owned bank.

However, dealers said that the franc could still end up being devalued in the current very turbulent currency markets. They point out that:

● The credibility of the EMS was severely dented by last week's suspension of sterling and the Italian lira. "The authorities in Italy and the UK repeatedly promised that there would be no devaluation of their currencies," said Mr Jeremy *Hawkins, senior economic* adviser at Bank of America in London. "There is no reason why the market should believe the French when they make the same claim."

● The financial risks involved *in selling the franc are as* small as they were for sterling and the lira. A dealer could sell the French currency yesterday knowing that there was some chance of a devaluation or EMS realignment and less *likelihood of the franc rallying* strongly against the D-Mark.

● France's foreign currency reserves are thought to be low. They were put at $31bn excluding gold last week. Dealers believe that France may have *spent over half of this figure in* recent days. "I would not be *surprised if those reserves* were now in single figures," said Mr Hawkins.

Dealers also believe that there are limits to how much the Bundesbank will be willing to intervene. The German central bank *spent DM60bn* supporting sterling and the lira up to last week and, according to some analysts, has spent an additional DM30bn supporting the franc this week. Overnight rates in the German money *market were as low as ½ per* cent yesterday, reflecting the colossal quantity of D-Marks sloshing around the system.

But the Bundesbank has so far made clear that it stands behind the franc. After the *weekend meetings of Group of* Seven and EC finance *ministers in Washington, Mr Helmut* Schlesinger, the Bundesbank president, stressed that he did not regard the franc as a candidate for devaluation.

He insisted that the French currency was fundamentally healthy and pointed out that France had a lower inflation rate than Germany and that its level of wage inflation was half the German level.

Currency speculators were "not all-conquering", Mr Schlesinger said. Speculation could only succeed when exchange rates were out of line, he added. Yesterday this belief was reflected in the joint statement of the French and German authorities which said *that the central rates between* the franc and the D-mark "correctly reflect the real situation of their economies."

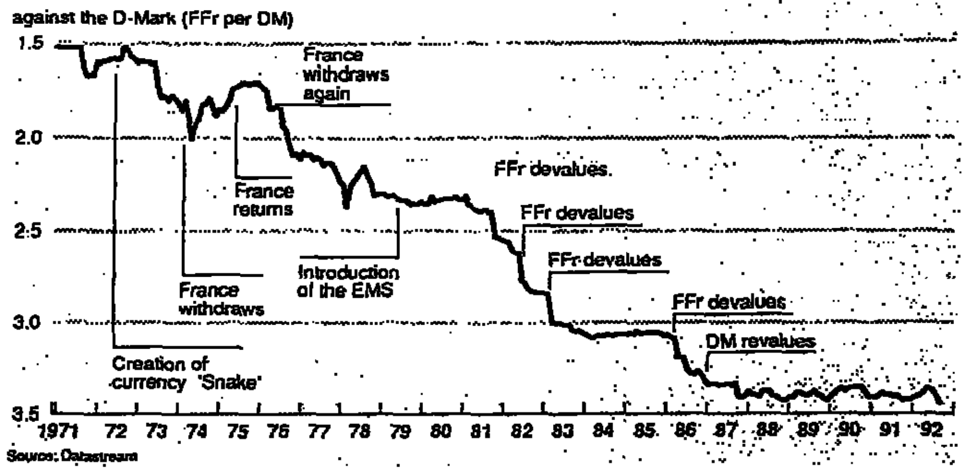
The Bundesbank appeared to be putting its money where its mouth was yesterday. Dealers said that it intervened to support the franc in the ERM at levels above *the mandatory* intervention point – the first time in memory that the German central bank had voluntarily added to its currency reserves and so threatened to boost its already swollen money supply in that way.

However, the two countries' commitment to the franc has still to face the ultimate test which is whether Germany would be prepared to cut its interest rates to save the parity.

There is no reason the markets should believe the French when they promise no devaluation

French franc

against the D-Mark (FFr per DM)



Source: Datastream

Forum proposes solution to treaty impasse

By Ivo Dawney, Political Correspondent

A ROUTE around the legal and political obstacles now blocking ratification of the Maastricht treaty by European Community member states has *been drawn up by an influential* London think-tank.

The independent European Policy Forum, which has close links with the British Conservative party leadership, claims to have won considerable support from the UK foreign office and Treasury.

Mr Graham Mather, EPF director, said yesterday he believed the plan will form the basis of proposals to be submitted by the EC's British presi*dency for debate at next* month's emergency heads of government summit.

Described as a protocol, it spells out *a 12-clause* treaty annex, couched in legal language, that would strengthen *the Council of Ministers' ability* to limit the policymaking powers of the European Commission.

Its intention is to add teeth to the treaty's wording on subsidiarity – the principle that power *should be devolved* to the lowest appropriate level – without requiring any tampering with the main treaty text.

The EPF says its proposal aims to review the Commission's ability to initiate policy or pursue its own agenda and, instead, stresses its function as a civil service to the Council, supplying it with policy options. But the core of the plan centres on putting the onus on the Commission to justify its policy proposals as appropriate for Community-wide, as opposed to national action.

Among its proposals are requirements that:

● The Commission explain at the outset of any policy development why an initiative should be dealt with at *Community level, before tabling* proposals;

● If its arguments are opposed by states controlling more than 20 per cent of the Council's votes, the Commission's proposal would drop;

● *Proposals for legislation* must be initiated by the Council, not the Commission; and

● A strengthened Council secretariat be developed with strategic planning functions.

The EPF plan is understood to be the first published text, couched in the appropriate legal language, on how to press ahead with the Maastricht treaty in a way that might convince the Danes and other Euro-sceptics to agree ratification.

In the wake of the narrow Yes vote in the French referendum, President François Mitterrand and Chancellor Helmut Kohl agreed that some action must be taken to reassure their electorates that curbs are being placed on the Brussels bureaucrats.

However, it is far from certain whether the proposals would go far enough to satisfy opponents of the Maastricht treaty within the British Conservative party.

Protocol on the application of subsidiarity in the European Community, European Policy Forum, 20 Queen Anne's Gate, London SW1H 9AA

Intervention blows Germany off M3 target

By Andrew Fisher in Frankfurt

THIS week's massive Bundesbank intervention to prop up the French franc will send September's German money supply figures even fur*ther out of the 1992 target* range, despite money market operations to mop up liquidity, economists said yesterday.

Frankfurt dealers estimate at between DM10bn (£3.9bn) and DM20bn the intervention needed to keep the French currency within the bands of the exchange rate mechanism in the past two days. This has been carried out by both the Bundesbank and the Bank of France, whose currency reserves have come under substantial pressure.

The sharp fall in French monetary reserves comes in the wake of the run on the currency holdings of the other weak ERM currencies in the past 10 days. At the same time, the Bank of Italy is believed to have continued discreet inter*vention to support the lira this* week, in spite of the decision to maintain a floating rate outside the ERM.

The Bank of Spain is estimated to have used up $15bn, or 20 per cent of its $70bn currency reserves, to defend the peseta during the period of currency turbulence.

Liquidity created by unprecedented D-Mark central bank sales throughout Europe will expand further Germany's *already fast-growing money* supply. Economists forecast an annualised expansion rate of more than 10 per cent for M3, the broad monetary aggregate, this month after a higher than expected 9 per cent for August.

"This means there will be no real scope for further interest rate cuts," said Mr Nigel Rendell, European economist at stockbrokers James Capel. "Even though the figures will be distorted, a further easing at this stage would make a *mockery of the Bundesbank's* linking of policy to M3."

A further ERM realignment, involving a D-Mark revaluation against the franc, would enable the bank to cut rates, but the Bundesbank would probably also want to see Bonn tighten fiscal policy.

Yesterday, the Bundesbank acted to drain funds from the money market, with more expected today. The central bank has been offering currency swaps and treasury bills at rates of 8.9 per cent for two days. It also extended maturity *periods for bills and swaps due* yesterday. Dealers expected the Bundesbank to offer four-day bills and swaps today to last beyond the weekend.

Dealers estimated that the treasury bill sales on Monday *and Tuesday took around* DM16bn from the market, with the currency swaps draining a further DM10bn or more. The central bank did not offer a further securities repurchase deal to replace the DM20bn *falling due yesterday. Over*night rates were down to less than 1 per cent last night.

"I doubt if they can sterilise the full effect of the intervention," said Mr Robin Hubbard, chief economist at Paribas Cap*ital Markets. "We have to* expect very poor money supply figures". Mr Rendell reckoned M3 could be up by at least a net DM20bn this month compared with DM16bn in August and DM8bn in July.

*Mr Helmut Schlesinger, pres*ident of the Bundesbank, gave a figure of *DM60bn for ERM* support efforts up to last week. The further support of the French franc has considerably added to this.

"The Bundesbank will be concerned at the scale of intervention, but will not see it as the end of the world just because one month's figures have jumped," Mr Hubbard added. However, he said this could lead it to consider "de-emphasising" its reliance on M3, as other economists have suggested.

CURRENCY RESERVES

	Germany (DM bn)	France (FFr bn)
Jan	95.1	91.2
Feb	95.9	102.7
March	97.3	103.6
April	98.0	106.6
May	98.7	105.7
June	96.8	104.2
July	97.6	102.9
Aug	98.0	97.7
Sep 22*	160.0	50.0

*Bankers' estimates
Source: Bundesbank, Banque de France

Brady urges more co-operation

By George Graham in Washington

MR Nicholas Brady, the US treasury secretary, yesterday called for new forms of international economic co-operation to deal with the dramatic change in the size and complexity of the world's money markets.

Announcing a new study of global capital flows to be carried out by the Group of Ten industrial nations, which he chairs, Mr Brady noted that daily trading in the foreign exchange market now approaches $1,000bn (£584bn).

"This is roughly double the total reserves of the major industrial countries and well beyond the resources governments can bring to bear in the markets," he said.

Other countries have also suggested revamping economic co-operation procedures, which recently have seemed powerless in the face of the turmoil in forex markets.

ANXIOUS MOMENTS: a stock market trader watches the screens nervously yesterday as the franc came under heavy pressure

Central bank moves to protect peseta

By Tom Burns in Madrid and David Gardner in Brussels

THE BANK of Spain yesterday announced emergency measures to protect the beleaguered peseta against currency speculators, effectively freezing trading in the peseta in a thinly disguised reintroduction of exchange controls eight months after they were abolished.

The measures, termed as technical by the central bank, force institutions purchasing foreign currency against the peseta, or buying pesetas, to deposit a sum equivalent to the transaction, interest free, with the Bank of Spain for a year.

The Bank said the action was necessary because of the "volatility, speculation and disorder" in the currency markets. "The measures are absolutely temporary and will be in force solely during the period of [currency market] instability, Mr Miguel Martin, deputy governor, told a press conference last night.

Mr Angel Sanchez, chief currency trader at Banco Santander de Negocios, said: "We were expecting something on these lines but the measures are much tougher than we had feared."

In Brussels, European Commission officials said they were looking at whether the Spanish *government's moves were* legally in line with its EC commitments, but would not be drawn into any premature judgment.

Spanish officials in Brussels took the more relaxed view that by the time the Commission makes up its mind, the government may have beaten back the speculators.

Irish officials in Brussels have pointing to the relative success of Dublin's use of its remaining exchange controls, which last week and on Monday, they say, burnt some speculators who were unable to cover short positions.

The Spanish development was a clear blow to those who were *selling pesetas* short and who had gone "long" on foreign currencies, particularly to those taking one to three-day positions. Banks, both domestic and foreign, are understood to have done considerable business in recent days by buying against the peseta.

An indication of the scale of speculation came with the Bank of Spain's additional order that the foreign exchange positions taken by domestic banks could not exceed 7 per cent of their assets. Anything above that level would also have to be matched with a deposit in a non-interest bearing Bank of Spain account.

The peseta, which began trading in the EMS yesterday at Pta71 to the D-Mark, closed at Pta68, moving from the bottom to the top of the ERM grid.

Analysts said, however, that the fate of the peseta remained intimately tied to that of the French franc and to the future of the EMS.

The Bank of Spain was seen to have erected a temporary defensive barrier while it awaited developments over a possible general realignment that would necessarily involve the peseta.

With its move the Bank averted raising official interest rates, which remained yesterday at 13 per cent.

Markets may yet trump Spain's ace

Tom Burns and Peter Bruce assess reaction to the reimposition of capital controls

SPAIN'S decision yesterday to reimpose capital controls less than eight months after triumphantly lifting them could damage its decade-long campaign to streamline its domestic financial markets and present itself as a modern, transparent, place of business.

Until yesterday morning the markets might have expected the Spanish authorities to do two things to protect their currency from the speculative *turmoil in European currency markets* – seek an official or unofficial devaluation, or raise interest rates.

Instead, the Bank of Spain has resorted, it insists temporarily, to the administrative regulatory mechanisms reminiscent of the days when economic policy was designed to keep foreigners away.

On the face of it, triggering such *thinly-disguised exchange controls by* the Bank of Spain is a desperate attempt to avoid the orthodox. By introducing highly punitive measures against all who take positions against the peseta, Madrid's monetary authorities have ostensibly fired a broadside at speculators who have been hammering the currency for a week.

"Essentially Madrid told the money markets: 'Don't think you have got all the aces up your sleeve, we have some too'," said Ms Wendy Niffiker, chief European economist at James Capel in London.

And according to Mr Anthony Wands, director general of pension fund managers, Pastor Alliance, in Madrid: "The effect is that years of careful grooming of the Spanish markets as they come of age has now been reversed. We are back in the stone age as a result of a transitory measure aimed at stopping those who hammer the peseta."

Official interest rates in Spain stand at 13 per cent and the government is already desperately trying to staunch huge budget over-runs through a mixture of tax increases and spending cuts. Mr Felipe Gonzalez, the prime minister, must call a general election within a year and while two weeks ago analysts were confidently predicting a fall in interest rates next year, an increase *now, or a further inflationary devaluation,* could seriously threaten the government's already shaky credibility.

The speculators have clearly homed in on a depressing set of Spanish fundamentals. Leaked portions of the 1993 budget draft forecast GDP growth of just 0.7 per cent year and unemployment of more than 3m or over 20 per cent of the labour force.

Central bank intervention, meanwhile, had come to be viewed as providing the markets with a one-way bet. The reasoning is that if the D-Mark zone currencies are discounted, together with the franc, because they have support and if the marginal currencies are ignored, then the peseta emerges as the prized target *in every speculator's viewfinder.*

"The peseta is the most 'attackable' currency right now," said Mr Francesc Guardans, chief executive of Société Générale's Madrid broking firm.

The government accordingly turned on the speculators. Since the weekend, Mr Carlos Solchaga, economy minister, has taken time off from the IMF meetings he was attending in *Washington* to denigrate *especuladores.* They have become what the "gnomes of Zurich" were to Britain in the 1960s.

But investors might come back for revenge. Yesterday's Bank of Spain decision came just as a $1.5bn Kingdom of Spain Eurobond issue began to be traded on the markets. Directors of the issue were expecting retail and institutional purchasers in Spain but this is unlikely now.

And with the Spanish treasury needing to raise a total of $55bn before the end of the year, some $17bn of it in net new financing, in order to service the budget deficit, the markets seem to *hold a few aces too.*

The Financial Times (Europe) Ltd Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

NEWS: THE ERM AND MAASTRICHT

Industrialists fear fresh round of devaluations

By Our Foreign Staff

WITH the European currency turmoil showing no signs of abating, the spectre of competitive devaluation is starting to worry EC industrialists.

Exporters in Britain, Finland, Italy and Spain are trying to use the declining value of their domestic currencies to boost their competitive advantage on foreign markets. But if other weaker currencies, led by the French franc, fail to defend their fragile parities against the D-Mark, these gains will be eroded. This could lead to pressure for a further round of "beggar-thy-neighbour" devaluations in which the whole of Europe would be the collective loser.

In Britain, companies like ICI, the chemicals group, believe last week's decision to float sterling will have a strong and immediate impact on boosting exports.

But the Institute of Directors, which represents executives throughout the UK, warned yesterday that the benefits expected from sterling's decline would be undermined by the downward movement of other currencies such as the lira and the peseta.

The currency crisis comes at a highly sensitive time for French exporters who were, until recently, able to take advantage of the low inflation and relatively stable exchange rates to win back market shares abroad.

LVMH, the luxury goods group, although concerned about the possible effect of declining foreign currencies on sales in the US, the UK and Italy, yesterday stressed that it prefers the stability of ERM membership to the short-term gains – or losses – of a floating franc.

The country whose exports are likely to be most vulnerable to foreign devaluations is Germany.

"The west German economy has been brought to the brink of recession by the sharp appreciation of the D-Mark," concludes the economics team of Salomon Brothers International.

Since the start of this year, the D-Mark has appreciated by more than 4 per cent against other European currencies. The D-Mark has risen 11 per cent against the lira, 10 per cent against sterling, and 7 per cent against the peseta.

More than a quarter of Germany's exports have been affected by the recent parity changes – making foreign markets much tougher places in which to do business.

For export-oriented companies like those in the motor, engineering, electrical, chemical, and steel sectors, this puts a sharp extra squeeze on margins.

The decline in the lira, for instance, will have a clear effect on exports of the Volkswagen car group. Its sales to Italy account for nearly as many VW exports as the UK and France combined.

Export markets will be much tougher just as the unification boom has ended

In the UK, BMW says its prices will have to rise next year because of the pound's devaluation. Like VW, most of its sales are in western Europe. Mr Keith Hayes, motor industry analyst at Nomura Research in London, reckons volume car makers like VW will find it hard to pass on all of the devaluation to customers, especially in the depressed UK market.

Mr Bruno Kesseler, an economist with Westdeutsche Landesbank, says the problems caused by D-Mark revaluation for exporters come at a time when the boom effect of unification has worn off. "Now, as the world economy is in a weak phase, companies are affected massively by the extensive revaluation".

The mechanical engineering industry is already in a crisis and not expected to emerge until next year, while the electrical industry is showing almost no growth, he says. Overall, he expects German industrial production to fall back slightly this year; earlier, he had expected it to be flat. "What we are seeing", he says "is a marked downturn". If the currency instability continues, it could get worse.

Reports from Andrew Fisher in Frankfurt, Alice Rawsthorn in Paris and David Dodwell and Michael Cassell in London.

UNDER FIRE: Commission president Jacques Delors walks past the EC flag in Brussels yesterday

Danes propose supplementary text to treaty

By Hilary Barnes in Copenhagen

THE Danish government yesterday proposed adding a supplementary text to the Maastricht treaty, in an attempt to overcome Danish voters' objections about the Community's democratic shortcomings.

Mr Poul Schlüter, the prime minister, said the government was not seeking to renegotiate the basic agreement, which the electorate rejected in a referendum in June.

But the new text, to be negotiated with the other 11 members of the EC, would form a binding supplement to the treaty. The time needed to formulate the proposals, aimed at reducing centralisation and making the Community more open and democratic, could delay until next autumn a planned new Danish referendum.

Denmark is proposing the text should clarify the application of subsidiarity, under which decisions should be made at the lowest practicable level of government. The government also wants more control over the European Commission, and more openess on Community legislation.

A further suggestion is to open to the public meetings of the European Council.

Mr Schlüter stressed Denmark's proposals would address issues which are problems in other EC countries. "It is not good enough to develop the European Community along lines which perhaps 40 or 50 per cent of our people dislike," he said, referring to the narrow pro-Maastricht majority in Sunday's vote in France.

In the planned second referendum, the government will ask Danes to vote on a set of special reservations to aspects of the treaty, Mr Schlüter. These will set out Denmark's desire to hold back from participation in a common European defence, and in the final stage of economic and monetary union. He left open the legal status of the supplement.

Austria and Switzerland say Yes to EEA

By Our Foreign Staff

LEGISLATURES in Austria and Switzerland have endorsed joining the European Economic Area (EEA), paving the way for eventual full membership of an enlarged European Community.

Switzerland's upper house yesterday voted in principle by 37 votes to two, following the backing of the lower house a month ago. Membership must be ratified in a national referendum on December 6.

The EEA treaty was signed in Oporto, Portugal, in May by the 12 EC nations and the European Free Trade Association (Efta) members – Austria, Norway, Sweden, Finland, Iceland, Switzerland and Liechtenstein.

By extending the EC rules on free flows of people, goods, capital and services to the Efta states, the treaty creates a single European market of 380m people, accounting for 43 per cent of world trade.

In the Austrian National Assembly on Tuesday night the treaty was adopted by deputies of the ruling Social Democrats and the conservative People's party, which control 140 seats in the 183-seat assembly.

The eight-hour debate was described as stormy, with opposition to the move coming from the Freedom and Green parties.

The treaty must still be passed by the upper house, or Federal Assembly, and then signed by President Thomas Klestil for full ratification. Those steps were considered a formality after Tuesday's vote.

Austria is the first Efta country to adopt the treaty.

An opinion poll three weeks ago showed 50 per cent of Swiss in favour of the EEA and 30 per cent against.

Pöhl backs union of strong currencies

THE former Bundesbank president, Mr Karl Otto Pöhl, has come out in favour of abandoning the Maastricht Treaty idea of currency union and instead creating a union of Europe's strong currencies, Reuter reports from Zurich.

"Those countries which are willing and able to establish a currency union with a common central bank and single currency should do so, not in 1997 or 1999 [as in the Maastricht Treaty] but in the near future," he told the Swiss weekly Weltwoche.

He said such a system – unlike the EC's monetary system – would no longer be dominated by the Bundesbank but held together by a strong, common central bank. Asked if this did not amount to a so-called "two-speed Europe", Mr Pöhl said this already existed.

He said Germany, France, Belgium and the Netherlands were already in a position to form a currency union, and added that Austria and Switzerland, both outside the European Community but with strong currencies and political stability, could also join.

Mr Pöhl said recent upheavals, in which the pound, lira and peseta have left the Exchange Rate Mechanism (ERM) or been devalued, and the French franc come under pressure, had strengthened the idea of a single European central bank. A continuation of the current D-Mark-led ERM would become more and more difficult as other countries' readiness to follow the Bundesbank waned after the turmoil of the last week.

He said the treaty on currency union should be abandoned "since it is too ambitious, contains many discrepancies, and can't be implemented anyway since the Danes' No [in a referendum]".

Gaidar vows to fight on for radical reform

The hard-pressed Russian premier sets out his market economy programme to John Lloyd

MR YEGOR GAIDAR, the acting Russian prime minister, *yesterday said his government* would "fight as long as we can" for radical reform.

In an interview with the Financial Times, he said he would not compromise with the powerful centrist forces who are urging an end to the reform programme in favour of an "anti-crisis" package to support industry.

Mr Arkady Volsky, head of the Union of Industrialists and Entrepreneurs, warned yester*day that "the government can*not carry out reform with the opposition of business – it's nonsense". Mr Gaidar said: "Yes, we will compromise on some things, such as on *defence* conversion. But we will not compromise on whether or not we will go forward to a market economy".

Mr Gaidar was speaking the day after *challenging the par*liament with a speech promising a return to the harsh monetary discipline of the first quarter of this year.

The government would still face calls for its resignation, Mr Gaidar said, even though Mr Ruslan Khasbulatov, the speaker, and a bitter foe of government policy, on this occasion had deflected opposition calls for a vote of no confidence. This had not defused the struggle but only post*poned it. "We will see how the* situation develops. We now face very tough opposition in parliament."

The prime minister acknowledged that tough limits on credits would cause bankruptcies – and he forecast a bitter struggle over the passing of a bankruptcy law.

As evidence of the government's determination, Mr Gaidar said it "might be possible" to bring inflation down to single monthly figures and to con*fine the budget deficit to 5 per* cent of GDP by the end of the year, as he had pledged to the International Monetary Fund. Inflation is running at between 20 and 25 per cent a month and the budget deficit is estimated at between 14 and 17 per cent of GDP.

In a strong plea to the west for debt rescheduling, Mr Gaidar said Russia could pay at most \$2.5bn (£1.5bn) of debt repayments totalling \$12bn this year. "We appreciate there are *serious problems, particularly* with the Germans who are owed the most. We are negotiating. It is absolutely crucial to our success."

He outlined the three main areas of work in restoring order to the chaotic finances.

First, he would negotiate the exit from the rouble zone of those former Soviet republics – in particular Ukraine – who wished to create their own currency. In the past week, credits advanced to Ukraine of around Rbs100bn had "pushed up inflation to new heights".

The government has frozen all monetary transactions between the two republics. Mr *Gaidar said "we had no choice.* We are not in a position to grant unlimited credits to third parties". He said he was working on the assumption Ukraine would create a new currency, as agreed, on October 1.

Second, Mr Gaidar would "work intensively" with Mr *Victor Gerashchenko*, the central bank acting chairman, to reduce credits to enterprises. "The actions taken by the central bank in this direction have been dangerous, but I do not think it wants to undermine the financial policy".

Third, privatisation of big state enterprises would be pushed ahead, and extra *resources made* available to the privatisation committee. "We have terrible legal problems here, a lack of qualified staff. But so far we are on schedule". *Some 7m* privatisation vouchers, each worth Rbs10,000, have been delivered.

Mr Anatoly Chubais, the privatisation minister, said yesterday that success in this area would make the reforms irreversible.

Bonn in move to bolster east

By Christopher Parkes in Bonn

THE German cabinet *yesterday launched* an emergency programme to prop up the east's fragile industrial base and protect 400,000 jobs.

The scheme includes subsidised financing for foreign construction contracts and the extension of export credit guarantees to barter deals with east European customers who are chronically short of foreign exchange.

Bonn has also promised to double federal purchases from east German companies and pay premium prices for goods and services.

The main aims are to maintain the former GDR's export links with eastern Europe and the former Soviet Union and to open up new markets in western countries.

However, Mr Jürgen Möllemann, economics minister, who proposed the scheme, was told it must be financed out of existing resources. Chancellor Helmut Kohl said on Tuesday that *current annual transfers* from the west of DM150bn (£59bn) marked the limit.

Mr Möllemann had claimed earlier that his proposals would need more than DM10bn a year. However, under the stern eye of the Bundesbank, the government is committed to a public spending freeze.

Approval of the scheme coin*cided with an appeal for action* from the federation of German industry (BDI). The existence of the east's entire capital goods industry – which accounted for 38 per cent of total industrial sales – was in danger, it said.

Western companies, meanwhile, *were concerned that* falling production and order intake in their factories signalled further economic weakening, the BDI said. The effects of the sluggish recovery in export markets had been exacerbated by a 10 per cent increase in unit labour costs *since 1990* and the recent appreciation of the D-Mark.

It was becoming increasingly difficult for them to contemplate investing in the east.

Battle lines drawn among Serb leaders

By Judy Dempsey in Belgrade and Robert Mauthner at the UN in New York

THE decision by the United Nations to exclude the rump Yugoslav federation from the general assembly will sharpen the divisions inside Serbia and could decide the fate of Prime Minister Milan Panic, his advisers said yesterday.

The UN resolution went through late on Tuesday night by an overwhelming majority in the general assembly. Its aim is to put pressure on the Belgrade government to end its support of Serbian militia forces fighting against Bosnian Moslem forces in Bosnia-Hercegovina and to co-operate with the UN and European Community efforts in bringing peace. The resolution made clear that the Belgrade government must reapply for membership of the UN.

Mr Panic, who earlier this week pleaded with western governments in New York not to "undermine a man of peace", faces renewed criticism from hard-line Serb nationalists who call the Californian businessman a "traitor".

Behind the criticism levelled at Mr Panic in the socialist-dominated federal parliament, and on television still controlled by Serbian president Slobodan Milosevic, the political battle lines are being drawn between the two men.

On Mr Panic's side is General Zivota Panic, the army's chief of staff; the fractured urban democratic opposition; and young entrepreneurs. So far, the military has supported Mr Panic in the belief that he can turn the army into a professional institution.

Mr Milosevic, now rarely seen in public, is flanked by Mr Vojislav Seselj, leader of the far right-wing radical party, state-run factory managers, and the rural community.

Earlier this week, Mr Seselj accused Mr Panic of manipulating the army into agreeing to the UN peace plan to withdraw its forces from Prevlaka, a large strategic military base on Croatia's *Dalmatian* coast. In this way Mr Seselj hopes to win over a section of the army.

"The army's support for Panic is crucial," said a UN diplomat. "It could still go either way. It could even stage a coup if Serbia lapsed into anarchy."

Sandwiched between the two sides is Mr Dobrica Cosic, a respected writer, and president of Yugoslavia. Once Mr Milosevic's mentor – he drew up the blueprint for a greater Serbia in 1986 – Mr Cosic now believes the Milosevic policies have brought only shame and ruin to the Serbian people.

By throwing his considerable authority behind Mr Panic, Mr Cosic hopes this will attract public support, isolate Mr Milosevic and lead to the lifting of sanctions.

But Mr Seselj and his fanatical nationalist supporters are determined to use Mr Panic's failure to get sanctions lifted, or prevent Yugoslavia from being excluded from the general assembly, as a means of ousting the prime minister.

Mr Panic is gaining grudging support inside Serbia, largely because more Serbs believe there is no practical alternative to him. "Mr Panic is beholden to no one here. He is an independent actor who has dared *to do what we have* never done: stand up to the thugs around Milosevic," said a Belgrade economist.

"But what he needs is control of the television. If he achieves this, he has won the first battle. That is only the beginning. I fear the Balkan intriguers might yet devour him," he added.

A WRECKED camp site in Vaison La Romaine after floods swept south-east France on Tuesday night. At least 29 people died – 21 around Vaison – and an unknown number were missing. In Italy two people died in a storm at Savona, while storms brought floods to part of Britain.

Sweden mired in recession

By Robert Taylor in Stockholm

SWEDEN remains deep in recession with a 1.2 per cent drop in gross national product in the first half of the year, figures published yesterday *show. The economy is expected* to show negative growth for the second successive year.

In 1991, Sweden's gross national product declined by 1.1 per cent. The country has now experienced seven consecutive quarters of negative growth. There was a 1.9 per cent drop in GNP in the first quarter followed by a more modest 0.5 per cent decline in the April-June period.

Gross fixed investment declined by 6.5 per cent in the first six months, with industrial investment down 8 per cent. Local authority investment fell 5 per cent. In 1991 *gross fixed investment* fell 7.3 per cent.

Industrial production declined by 1.5 per cent with a 4 per cent fall in manufacturing. This follows a 5.4 per cent decline in industrial output for the whole of last year. Manufacturing plant capacity use was down to 81.7 per cent in the second quarter of 1992.

There was a 3 per cent decline in the total number of hours worked and a 4 per cent contraction in employment during the first half of the year.

The slump is also hitting living standards. Households had a 0.5 per cent decline in disposable incomes and there was a 1 per cent drop in private consumption after a 1.2 per cent improvement last year.

There was a 16 per cent drop in car sales in the first six months and there was also a sharp 8 per cent decline in the acquisition of household goods such as furniture and home electronics.

Confidence vote on Italian budget

By Robert Graham in Rome

ITALIAN prime minister Giuliano Amato is planning to call a vote of confidence in parliament on the 1993 budget announced last Thursday.

The aim is to accelerate the normally lengthy process of parliamentary approval and to rally support for his four-party coalition government. He has already used this device to good effect to force through his July emergency economic package raising L30,000bn (£13.9bn) in fresh revenues and spending cuts.

The new vote of confidence underlines Mr Amato's strategy of demonstrating to a fractious parliament that, if his two-and-a-half-month-old government fails, the country would face unprecedented political chaos and damaging loss of international confi*dence. The Socialist premier's* coalition of Christian Democrats, Socialists, Social Democrats and Liberals has a narrow 16-seat majority in the Chamber of Deputies.

The *1993 budget proposes to* raise L93,000bn in new taxes and expenditure cuts in order *to hold the public sector deficit down to L150,000bn*, equivalent to over 10.5 per cent of GDP. The proposals, which include cuts in the health service, new wealth taxes, a cap on pensions and a freeze on public sector employment, have provoked protests from almost every segment of society.

Yesterday was the second day of a series of rolling, regional four-hour general strikes, called by the three main trades union confederations and these could foreshadow a national general strike. Union leaders are due to meet the prime minister on Friday, the second time this week. The government appears willing to make only minor amendments, largely related to ironing out anomalies or catering for proven hardship cases such as certain categories of pensioners.

No timetable has been fixed for the vote of confidence which has to be in both houses of parliament. The government must wait until next week when the Chamber is expected to endorse the Senate's vote giving the executive power to reform pensions, the health service, local administration and the civil service – reforms central to the 1993 budget.

The speed with which the budget is approved and the extent of amendments is closely linked to the credibility of Italy *re-entering* the European Monetary System.

● Seven local politicians in *Rome were arrested yesterday* on *allegations of taking bil*lions of lira in bribes from a Milanese railway equipment maker. The arrests follow months of investigations into the accounts of Socimi, a Milan-based engineering group specialising in railway and transport equipment.

Permanent UN seat sought by Germany

By Robert Mauthner in New York

GERMANY will seek a permanent seat on the United Nations Security Council, if a change in the council's composition is considered by the member *states*, Mr Klaus Kinkel, German foreign minister, said here yesterday.

However, he made it clear in a speech to the UN General Assembly that Germany would not take the initiative on this matter, but that it would wait until it came up in the context of future *discussions on* reform of the Security Council.

Reform of the council, whose permanent membership - the US, Russia, China, the UK and *France* - reflects the immediate post-second world war situation and does not take account of more recent international developments, *has become* a subject of growing public interest with the rise of *major* new powers such as Germany and Japan.

Britain and France are *opposed to any change* in the council's composition for the moment because it would make it more unwieldy and less effective. They have been particularly dismissive of the suggestion that they should give up their own seats in favour of a single EC seat.

Swiss hold key to EC's transport policy

The Swiss have a vital decision to make on Sunday, writes Ian Rodger

COMPARED with the French referendum on Maastricht, the run-up to this Sunday's six plebiscites in Switzerland is singularly *lacking in drama*.

And it must be said that most of the issues, such as whether being a federal parliamentarian should be a full-time job, bore even the Swiss.

But one of them, on the construction of two new *high-speed rail lines* through the country, will have a large and long-term impact on not only Switzerland's but also Europe's transport policy.

The proposal, to invest a whopping SFr14.9bn (£6.4bn) on two rail tunnels through the Alps and related infrastructure, was the Swiss government's counter-offer last year to its European neighbours who were fed up with the country's severe restrictions on lorry transit.

Switzerland restricts lorry weights to 28 tonnes, whereas most trucks in the EC move with 40-tonne loads. Rather than lighten loads at the Swiss border, truckers prefer to travel through the Brenner pass in Austria or one of three passes between France and Italy.

The result, to the increasing anger of the Austrians and French, is that Switzerland absorbs less than a fifth of north-south trans-Alpine freight tonnage.

The Swiss insist that their narrow Alpine valleys cannot take much more lorry traffic, and last year they won EC agreement for their plan to build an efficient, high speed rail system for piggy-backing lorry loads through the country.

Many hope that this approach will eventually be adopted more widely in Europe, easing the pressure on motorways and contributing to the overall reduction of air pollution.

The plan has wide support in the centre of the political spectrum in Switzerland, even though the cost frightens many people. The government has warned that rejection would *mean that Switzerland could* no longer hold back the EC's 40 tonne juggernauts.

But the Greens object because they say it only promotes the already excessive transport of goods between EC countries. On the right, the Automobile Party fears that all that spending on rail transport will take away from budgets for improving Swiss roads.

The treaty between Switzerland and the EC that contains the tunnel proposal also includes a new airline agreement that would give Swissair rights similar to EC-based carriers in EC countries. And the campaign for acceptance has received a vigorous last minute boost this week from Swissair directors, who claim that it is vital for the airline's survival.

Another referendum is on abolishing stamp duties on most securities transactions. In the past, Swiss ministers dismissed the banks' warnings that these duties were driving business abroad.

But Swiss-controlled mutual funds based in Luxembourg *totalled SFr179bn at the end of last year compared with only* SFr34bn in Switzerland. And, for the first time in a decade, the number of people employed in banking declined.

Now the government is calling for abolition and even the socialist party is divided and muted in its opposition.

Environmental groups invited to OECD talks

By David Dodwell, World Trade Editor

ENVIRONMENT campaigners from across the industrial world meet OECD officials in Paris today in what many regard as a last ditch bid to get the Uruguay Round of talks on world trade liberalisation to take proper account of their environmental priorities.

In an unprecedented move, the OECD has invited three environmental lobby groups from each of its 24 member countries for two days of private meetings with government delegations on its Trade and Environment Committees. UK environmentalists will be represented by campaigners from Greenpeace, the World-wide Fund for Nature, and Safe, a consumer group.

The gesture provides belated recognition of the influence of environmental groups, particularly in the US. It also implies recognition of environmentalists' calls for curbs on unfettered free trade.

The meeting follows private consultations last week by officials at the Geneva-based General Agreement on Tariffs and Trade (Gatt) with a number of environmental groups.

The draft Uruguay Round agreement, stalled for a year by disagreements between the US and the EC over reform of farm trade, takes no account of environmental issues.

Negotiators acknowledge that trade policies can have potent environmental implications, but have argued consistently that the Uruguay Round agreement would be indefinitely stalled if they attempted at this late stage to bring such issues on board. The environment along with competition policy are set to be the two principal "post-Uruguay Round" issues.

Lobbyists have argued that environmental problems linked with present international trade rules are so pressing that they cannot be deferred until after the Uruguay Round is completed.

The issues of most pressing concern over the next two days are expected to be:

- A challenge to the "holy grail" of trade economists that falling trade barriers lead automatically to growth, which in turn leads to a better environment.
- The right of governments in environmentally "progressive" countries to take unilateral measures forcing higher standards on trading partners. Trade officials, and a number of third world governments, see this as "eco-imperialism".
- The right of governments to bar imports manufactured by processes not regarded as environmentally sound.
- The enforcement of environmental standards as minimum requirements, rather than ceilings to be aimed for.
- Environmental campaigners will be pressing for the Multilateral Trade Organisation, which the Uruguay Round proposes to set up as a powerful body to police international trade, should go beyond a commitment to seek "sustainable development", to giving environmental aims at least equal priority to trade objectives by means of "environmental impact assessments".

Israelis optimistic over US aid packages

Military co-operation and ratification of $10bn in loan guarantees look likely, Hugh Carnegy reports

ISRAEL is confident of securing two substantial economic and military aid packages from the US in the next two weeks which would consolidate its position as the biggest recipient of US foreign assistance.

Congressional ratification of $10bn in loan guarantees - attached to the 1993 fiscal year foreign aid bill which includes $3bn in direct economic and military grants for Israel - is expected by October 1.

Israeli defence officials are meanwhile negotiating a military co-operation package with the Pentagon aimed at retaining Israel's technological edge over its Arab neighbours and which is likely to include a US commitment to preposition military equipment in the country. The talks follow the Bush administration's decision to sell up to 72 advanced F-15 fighters to Saudi Arabia.

Israel and its supporters in the US see the military talks as evidence that the US-Israel relationship, frayed last year by political differences between the Bush administration and Mr Yitzhak Shamir's Likud government, has been fully restored since Mr Yitzhak Rabin's election as prime minister last June.

Israel and its backers reject suggestions that the extra aid has been provided to help Mr Bush recoup support among American Jewish voters before the November presidential election. "They signify a fundamental understanding of Israel's needs, not just election politics," said one lobbyist.

Policy analysts in Washington agree the underlying relationship with Israel is strong. Although its Cold War role of bulwark against Soviet influence in the Middle East has gone, they say the US values strategic and political co-operation with Israel in what remains an unstable region. But there are signals in the US that the historically high levels of financial assistance to Israel may be threatened by Washington's general budgetary pressures.

One American participant in a recent seminar for senior US and Israeli policymakers said: "There were stark messages for Israel. The [US] willingness to regard the aid to Israel as an entitlement has disappeared. It is too attractive a target not to be hit over time."

But Israel will not feel the squeeze for the next year at least. The 1993 foreign aid bill includes $1.8bn in military aid and $1.2bn in economic aid from total foreign aid spending of $13bn. These totals are non-repayable grants paid up front, allowing Israel to earn interest on them.

The loan guarantees provide the full amount requested by Israel to help it absorb Jewish immigrants from the former Soviet Union. The US president can, under the terms of the guarantees, subtract amounts spent on Jewish settlements in the occupied territories. Other conditions are fairly loose, including no specific requirements for structural reforms to Israel's economy.

The US offered the total of $10bn - which is just $2bn short of the total value of US-provided guarantees to all Arab countries in the last five years - despite Israel's admission that a recent slowdown in the rate of immigration means it may not need to borrow to the full total.

The guarantees enable Israel to borrow on preferential terms. Israeli officials are pleased that the level of risk capital which must be set aside in the US budget to underpin the guarantees was set at 4.5 per cent, not 7 per cent as originally proposed by US officials. Israel has agreed to pay this amount.

The military co-operation deal under negotiation is expected to detail the transfer of $700m in used US equipment to Israel and $200m in prepositioned US equipment.

The deal is likely to cover greater co-operation in both intelligence and early warning, along with development of high-tech weaponry. Israel is also seeking to spend more of its US military aid on domestically produced weapons to bolster its hard-pressed military industries.

ARAB YOUTH PROTESTS: Young Palestinians at Ein-el Hilweh refugee camp in south Lebanon demonstrate yesterday against the Arab-Israeli peace talks. Tyres burn in the background

US seeks Gatt ruling in oilseed row

By Frances Williams in Geneva

THE US has asked the General Agreement on Tariffs and Trade (Gatt) to rule on how much the European Community must compensate trading partners for lost exports due to EC subsidies on oilseeds.

The request for an arbitration panel, which will be considered by Gatt's governing council on September 29, suggests the US wants a further breathing space before unleashing its threatened trade sanctions against $1bn worth of EC food and drink imports. Retaliation from Brussels would precipitate a damaging trade war just when the two sides are hoping to finalise a deal on farm trade, including oilseeds, within the Uruguay Round of global trade talks.

Senior trade officials from the "quad" countries – US, EC, Japan and Canada – met in Geneva yesterday to assess prospects for the round. Negotiators had hoped for a deal in the "window of opportunity" between the French referendum on Maastricht and the US elections on November 3, unlocking the round for completion early in 1993. This has now been clouded by the narrow French Yes vote last Sunday and President Bush's poor showing in the opinion polls.

If established, the Gatt panel would have 30 days to come up with a binding estimate of lost oilseeds trade which would serve as the basis for EC compensation or, failing accord, retaliation by trading partners.

The US says it and nine other producers of oilseeds, such as soyabeans, sunflower seed and colza, are losing $2bn a year from lower sales in the EC market. The EC has put the figure at no more than $400m.

Britain ahead in OECD student survival league

By Andrew Adonis

BRITAIN, with one of industrialised world's lowest proportion of 18-year-olds going to universities, has the highest rate of student survival with 94 per cent finishing their courses.

Figures released yesterday by the Organisation for Economic Co-operation and Development (OECD) show that Japanese and German students survive almost as well with a far higher proportion entering universities at 25 per cent and 20 per cent respectively.

"In general, there is apparently only a weak relationship between the number of students entering the university system and the proportion eventually graduating," conclude the OECD.

Barely half of French and Spanish students starting degree courses completed them, while among Italians the proportion fell to under a third.

University spending in the developed world ranged in 1988 from $1,300 to $5,700 per student. Lowest spending is in Ireland, Portugal and Spain, and the highest in Sweden, Luxembourg and Norway.

Education at a Glance, OECD, £16

Universities: how countries compare 1988

	University participation rate (%)*	University survival rate (%)**
France	23	55
Germany	20	83
Italy	27	31
Japan	25	89
Neth'lands	12	87
Spain	37	49
UK	15	94

* ratio of entrants to population at typical entry age** ratio of graduates to entrants at first degree level. Source: OECD

Estonian ventures launched

ASEA – Brown Boveri, Swedish-Swiss engineering group, announced yesterday creation of two joint ventures in Estonia and the opening of an office for its Estonian subsidiary in Tallinn, the Baltic republic's capital, Robert Taylor reports from Stockholm.

The ventures are:

- ABB Harju Elekter which will manufacture and sell low- and medium-voltage switchgear to the Baltic area and wider markets and
- A/S ABB Fläkt Estonia will produce and market air conditioning components.

East Europe free trade zone plan dropped

By Nicholas Denton in Budapest

HUNGARY and Poland have shelved plans for a central-east European free trade zone with Czechoslovakia in favour of a separate bilateral agreement.

Mr Jozsef Antall and Mrs Hanna Suchocka, the Hungarian and Polish prime ministers, decided yesterday in Budapest to press ahead alone with liberalisation while the relationship between the Czech lands and Slovakia remains unclear.

The two leaders said their goal was bilateral free trade from the start of next year, followed only later by individual agreements with the two halves of Czechoslovakia.

Hungary and Poland are treating the Visegrad grouping of central-east European countries as a framework for bilateral agreements rather than as the coherent economic bloc which had been envisaged.

The latest move leaves the Central European Co-operation Council, the regional economic grouping launched in April, up in the air. One of the CECCs first decisions was to press ahead with the formation of a free-trade zone covering the three countries in the second half of this year.

Taipei steps up stock default probe

By Luisetta Mudie in Taipei

AN investigation by Taiwan authorities into an estimated T$8bn (£184.5m) of stock defaults has intensified with the detention yesterday of four market players in connection with illegal lending and other securities offences.

Two of the four – both renowned as "big hands" – were later released on bail.

The move follows the arrest last Sunday of Mr Lei Po-lung, another of the market's big players, which sent share prices tumbling 6 per cent by Monday's close. Mr Lei is alleged to be responsible for at least some of the defaulted payments and has been charged with breach of securities trading laws.

The defaults are thought to be linked to Hualon, the textile and insurance group which was allegedly involved in an insider trading scandal last year. Mr Lei has claimed he purchased stocks on behalf of the group, which they then failed to pay him for.

Within the past two weeks the government has introduced measures aimed at stabilising the battered market.

Taiwan's Securities and Exchange Commission (SEC) said last week it would tighten trading regulations, and the central bank eased its policy on remittances into the country by foreign institutions for investment in equities.

A remittance by Fidelity Investments of US$60m (£35m) was approved last week; the bank then approved a US$50m application by Pierson Heldring and Pierson of the Netherlands on Tuesday. The SEC has said other applications would be considered speedily.

Analysts say these steps will do little in the short term to improve investor confidence, already damaged by the arrest on September 10 of Mr Weng Ta-ming, the ailing head of Hualon, for his alleged involvement in a T$600m insider dealing scandal.

Although the market made a slight recovery yesterday, stocks previously associated with Hualon have repeatedly fallen this week by the permitted 7 per cent daily limit.

Japanese tourists to pay for the chance to see democracy in operation

'Real US' on offer in political package tour

By Robert Thomson in Tokyo

A TOKYO travel agency has launched a group tour for Japanese who want to see how democracy works or, at least, to see how a US presidential election is conducted.

In eight politics-packed days the tourists will view the site of President John F. Kennedy's assassination, marvel at Democratic candidate Bill Clinton's campaign office in Arkansas, and see the sights of the Cable News Network (CNN) studios in Washington.

The climax will come on polling day, November 3, when the travellers are promised a front-row seat at the unfolding of history. As the brochure puts it, they will experience "the real America" and see "something completely unlike Japanese politics".

Mr Hideo Soshi, sales manager at Pacific Tour Systems, said the strongest selling point for the tour, a pricey Y598,000 (£2,900), is the opportunity to view close up a political system widely different from that of Japan.

"Our system is grey and unclear. In the US, politics is vivid and clear. Many Japanese are interested in seeing the real America and America seems to be at its most real during elections," he said.

Whether attracted by the real or the surreal, in the two days the US Presidential Election Tour has been advertised 10 people have applied for the 20 vacancies. Mr Soshi views the response as vindication of "our unique, distinguished concept".

Japanese politics is certainly passing through one of its greyer phases, which could be an incentive to take a tour of the US political system. Since late last month Mr Shin Kanemaru, the country's most powerful politician, has refused to let prosecutors question him over a possibly illegal Y500m donation from a parcel delivery company.

The prosecutors gave the "godfather" of the ruling Liberal Democratic party until today to appear at their office, although Mr Kanemaru has not left his house. He apparently keeps fit by walking his dog up and down the stairs, and amuses himself by playing mah-jong, the Chinese game of chance.

Meanwhile, Mr Kiichi Miyazawa, the prime minister whom Mr Kanemaru claims to have appointed, is as much a spectator of events as will be the Japanese on the US Presidential Election Tour. He has made no public statement on the fate of Mr Kanemaru, who now holds no official title but still presides over the party's largest faction.

Shrouded in this "greyness", Japanese politics remains off the tourist track. But, as Pacific Tour Systems promises in its brochure, with its close-up of the White House and of Bill Clinton on the telephone "the whole world will be watching" Washington on election night, and "you will be there".

A policeman stops a student holding a cut-out head depicting Shin Kanemaru, who has refused to let prosecutors question him over a possibly illegal donation

UN peace plan for Cambodia in trouble

By Michael Littlejohns, UN Correspondent, in New York

UNITED NATIONS efforts to ensure free elections in Cambodia are in trouble because of the "persistent failure" of the Khmer Rouge guerrilla group to abide by peace agreements reached in Paris, Mr Boutros Boutros Ghali, UN secretary-general, said yesterday.

In a report to the Security Council he voiced serious concern over the continuing refusal of the Khmer Rouge to allow UN military and civilian personnel access to the zones it controls. Its forces still eluded demobilisation, he added.

Mr Boutros Ghali suggested the co-chairmen of the Paris conference · the French and Indonesian foreign ministers hold talks to find a way out of what he acknowledged is an impasse. If this proved impossible they could explore "appropriate steps" to ensure realisation of the fundamental objectives of the accord.

With a budget of $1.9bn (£1.11bn) the UN operation, begun last November with great fanfare, is the most ambitious of its kind. From the start the Khmer Rouge, the country's largest guerrilla army, was reluctant to co-operate.

"It is clear the time is approaching when some difficult decisions regarding ways and means of pursuing this operation will have to be considered," Mr Boutros Ghali wrote in a gloomy account of the situation.

The Khmer Rouge leadership must be told of the UN's resolve to implement its peace-keeping mandates "vigorously and to the full". To that end the Security Council might want to take further action to emphasise the international community's determination to bring peace to Cambodia and enable its people to look to a better future.

● The UN peace-keeping authority in Cambodia is to take direct control of the country's central bank, a spokesman for the world body said yesterday, Reuter adds from Phnom Penh.

Iran and UAE seek to defuse island dispute

IRAN and the United Arab Emirates have agreed to hold talks over the island of Abu Musa in an attempt to defuse a tense dispute over control of the territory, writes Mark Nicholson, Middle East Correspondent.

Senior Foreign Ministry officials from both countries are due to meet in Abu Dhabi on Sunday in the first direct attempt to conciliate in a row which broke in April when the UAE accused Iran of annexing the island.

The UAE also accused Tehran of expelling hundreds of the emirates' nationals from the island and said it was in breach of a 1971 agreement under which Sharjah claimed sovereignty over the island, on which Tehran was permitted to station a garrison.

The island, with a population of less than 2,000, commands the Gulf's main shipping lanes between the coast of Iran and Sharjah.

Iran said on September 10 it was the sole owner of the island. The declaration prompted condemnations of Tehran's "aggression" from the Arab League and the Gulf Co-operation Council, comprising Saudi Arabia, UAE, Kuwait, Oman, Bahrain and Qatar.

Thailand's new premier finalising his cabinet

By Victor Mallet in Bangkok

MR Chuan Leekpai, leader of the Democrat party, became prime minister of Thailand yesterday, 10 days after the general election in which the Democrats won the largest number of parliamentary seats.

The appointment of Mr Chuan, 54, a mild-mannered career politician admired for his integrity, follows two years of political instability embracing the military coup d'etat of February 1991 and the killing of at least 50 pro-democracy demonstrators by troops in May this year.

Foreign investors and local businessmen have welcomed Mr Chuan's victory, but few political commentators believe his fragile parliamentary coalition will heed his calls for unity and survive intact until the end of the government's four-year term.

The Democrats and three allied political parties opposed to the armed forces' action in May won only a slim majority in the election, forcing Mr Chuan to bring in the pro-military Social Action party as a fifth coalition partner.

"I fully realise that, from this minute, the task facing me is great and limitless," Mr Chuan said after receiving a royal decree naming him prime minister.

Negotiations were continuing last night on the final shape of Mr Chuan's cabinet. Mr Tarrin Nimmanahaeminda, president of Siam Commercial Bank, said he had agreed to become finance minister.

Mr Chamlong Srimuang, the anti-corruption campaigner who led the street protests in May and heads the Palang Dharma (Moral Force) party, has so far declined to accept the proffered portfolio of transport and communications, a notorious source of corrupt earnings for politicians in previous administrations.

Indonesia denies piracy link in ships' collision

By William Keeling in Jakarta

INDONESIA has denied reports that pirates were involved in a collision last weekend between an oil tanker and a container ship in the Strait of Malacca, which divides the Indonesian island of Sumatra and the Malay peninsula.

The collision left one person dead, 29 missing and a huge oil slick in one of the world's busiest shipping channels.

An Indonesian team yesterday boarded the Nagasaki Spirit, a 96,000 tonne Liberian-registered tanker, and the Ocean Blessing, a Panamanian-registered container ship.

Concern over the involvement of pirates followed the release by Orient Overseas Container Line, the Hong Kong operators of the container, of their captain's last radio message: "We're being fired upon and have a fire on board in several of the tanks. We're abandoning ship. No more time for messages".

Rear Admiral Yusuf Effendi, the Indonesian naval commander co-ordinating rescue operations, has dismissed a link with piracy. He said the collision occurred at the widest point of the strait where ships cruise at normal speed, making it difficult for pirates to board. The channel, however, is notorious for piracy, with more than 100 incidents in the first half of the year.

● Indonesia will refuse passage to a proposed shipment of about a tonne of radioactive plutonium from France to Japan. Details of the shipment's timing and route on board a Japanese vessel have not been released.

"We have clarification from the Japanese government that security steps would be taken [to protect the shipment]... but an accident may happen at any time," a foreign ministry spokesman said. However, the quickest route for the shipment would be through the Strait of Malacca, to which Indonesia cannot legally deny access.

IMF to support Brazilian debt revision with commercial banks

By Stephen Fidler in London, Robert Peston in Washington, and Christina Lamb in Rio de Janeiro

THE International Monetary Fund plans to provide a letter of support to a debt restructuring agreement by Brazil and its commercial bank creditors, even though the government is out of compliance with an IMF stand-by loan programme.

Mr Michel Camdessus, IMF managing director, has indicated to Brazilian officials that he would provide a positive letter in support of the agreement when it is offered to banks, probably later this year.

This is unlikely to be sufficient, however, to satisfy the banks unless the government returns to compliance with the IMF. It failed to meet first and second quarter targets under the IMF agreement into which it entered in January. Mr Tom Labrecque, chairman of Chase Manhattan bank of the US, which has \$1.07bn (£620m) of loans outstanding to Brazil, said Brazil's failure to meet IMF conditions for the management of its economy would constitute a serious obstacle to completion of the debt deal.

However, he added that the debt agreement was "far from academic", despite the corruption scandal surrounding President Fernando Collor. He said Brazil's bank creditors are hopeful that any change in the government would not be too disruptive.

A detailed agreement was reached this week by negotiators for the government and the banks. That must now be translated into Portuguese and approved by the Brazilian Senate before it can be offered to all Brazil's bank creditors. This will take more than a month, even if the decision is not held up by the impeachment process involving Mr Collor.

The nine judges of Brazil's Supreme Court were due to vote, in Brasília last night, to decide when Congress will vote on whether Mr Collor is to be impeached, and on whether that vote will be open or secret.

Under the original schedule, the vote on whether to proceed with an impeachment process, in which a two-thirds majority is required to move against Mr Collor, was due to be open and to take place early next week. However, the law on impeachment is unclear and Mr Collor has appealed to the Supreme Court, believing he has more chance of survival if the vote is secret and held after muncipal elections on October 3.

An extraordinary session of Congress was called for last night so that the special commission on impeachment could discuss Mr Collor's defence, filed on Tuesday night. The document makes no attempt to exonerate the president, but criticises the congressional inquiry on corruption which led to the process and – in a bid to win more time – demands that 20 witnesses be called.

● An agreement by the Argentine government and its leading bank creditors, announced yesterday, should allow signature of a debt restructuring accord by the end of next month, a senior banker said yesterday. It commits banks to take at least 35 per cent of discount bonds offered under the restructuring, the less attractive to most banks of the two types of bonds on offer.

"The attitude of many banks is that they want to have the deal completed as soon as possible," said Mr William Rhodes, Citicorp vice-chairman.

TRYING TO TAKE LONGVIEW: President George Bush on the campaign trail greets people at Longview, Texas. Behind him is an aeroplane of the kind he flew in the second world war

Poor hit back at structural adjustments

By Nancy Dunne in Washington

STRUCTURAL adjustment programmes imposed by the World Bank and International Monetary Fund have brought disaster to the working poor of as many as 100 countries, according to representatives of non-governmental organisations in Washington at a forum this week.

Part of the difficulty is that the stalled Uruguay Round has changed the rules of trade for the poor countries, which have been forced under structural adjustment to open their markets to a flood of cheap imports, while the US, EC and other industrialised countries have refused to abandon their subsidies, quotas and high tariffs.

This has produced trade distortions and a "brutal" suppression of wages and living standards, while governments have been forced by the bank to cut their social programmes, according to Mr Doug Hellinger, executive director of the Development Gap organisation.

"The markets aren't there for the poor countries," he said, noting the continued barriers to textiles and third world commodities.

The Development Gap, Friends of the Earth and three other groups brought the NGOs to Washington this week to make their case against structural adjustment during a forum which has been carried on cable television.

The NGO representatives described a growing gap between the rich and poor in their countries, and rising bitterness and violence. They attributed the fall in commodity prices to the farm export subsidy battle under way between the US and the EC.

"It does not take a genius to see what has happened," said Mr Martin Khor, research director of the Consumers' Association of Penang and a co-ordinator of the World Rainforest Movement. The favourite prescription for sick economies – more exports – has spurred over-production, cut-throat competition, a collapse of prices and exploitation of workers and natural resources.

"Small enterprises, which can't compete against imported goods, are closing, and the aid given them by the development banks is a drop in the bucket," Mr Hellinger said.

Ms Peggy Antrobus of Barbados, founder of the Women and Development Institute, said that, after 13 years of economic adjustment, one-third of the population in her country lives below the poverty line. Social services have been cut by 40 per cent, health care has badly deteriorated and such basic necessities as soap and bandages are often unavailable.

Ms Narda Meléndez, co-ordinator of Asociación Andar, a private development group in Honduras, said 73 per cent of the population there was in poverty. "We work in sweatshops outside the law," she said. Children were receiving less than half of their needed daily intake of calories.

The World Bank has yet to release its third report on structural adjustment lending, presented to its board early this summer. The report recommended that "more attention" be paid to "protecting the poor during adjustment".

Ecuador halted by general strike

By Raymond Colitt in Quito

A NATIONAL general strike yesterday brought Ecuador's economy to a standstill, closed schools and led to violent street demonstrations, after nearly three weeks of protests against the new government's economic austerity measures.

The one-day strike, called by the United Workers' Front (FUT) to protest against big price rises for basic goods and services, is the latest in a series of obstacles to the economic reforms of the six-week-old administration of President Sixto Durán Ballén.

Cities throughout Ecuador have experienced unrest as the protests rose. In Guayaquil, the main port and the largest city, demonstrators looted shops, burnt buses and battled police in the streets. In the capital, Quito, workers rioted in front of the presidential palace as their leaders were refused access to officials.

The government's attempt to shrink the public sector has also run into resistance. State-employed doctors and nurses last week closed hospital doors in protest at the government's reforms, paralysing medical services in cities and leaving hundreds of patients on the streets. On Monday, the judicial system was halted as court employees closed tribunals in response to government initiatives on curbing corruption and inefficiency.

The government lacks political support for its economic reforms. The National Assembly, where it has no majority, rejected the bill to require civil servants to retire at the age of 65. It also refused the proposal for a salary bonus intended to compensate workers for recent price rises.

Responding to the protests, Mr Durán on Friday announced that the price of bottled gas, used in most Ecuadorean households, would be reduced by 20 per cent. Mr Fabián Zurita, FUT director, rejected the reduction as a political manoeuvre.

Privatisation plans delayed in Bolivia

By Chris Philipsborn in La Paz

BOLIVIA'S privatisation programme is running into the sand amid allegations of corruption, a lack of interest by potential investors and opposition from unions and the military.

Launched in June by Mr Samuel Doria Medina, planning minister, the process initially involved some 60 state-owned enterprises, to be sold at the rate of one a week. This number has now been increased to about 100, including 14 hotels and 25 military-run corporations.

However, the sale of two La Paz hotels was cancelled this month by President Jaime Paz Zamora after allegations of corruption and influence-peddling in the auction process had emerged soon after the sealed bids were opened. Another attempt to sell them will be made next month.

A few days before, the first stock market flotation of a state-run company – Fanviplan, a glass-maker – had failed to attract a single bid.

Since then, six further attempts to sell the company have met no success. Many said the company was overpriced, given that it was poorly equipped, facing strong foreign competition and running well below capacity, like many others in the first privatisation stage.

The government has also failed to find a foreign airline to take a stake in the national carrier Lloyd Aéreo Boliviano (LAB). Spain's Ibéria bid but this was turned down by the government as "inadequate".

Mr Doria already faces strong trade union opposition to privatisation and, if the government pursues its stated intention of selling the 25 enterprises run by the military, hostility is expected from older members thereof.

But the minister is optimistic: "In the next year, Bolivians are going to see the positive side of privatisation, such as increased employment."

Economic recovery in US 'slow but uneven'

THE US economy is improving slowly and prices are generally stable aside from a jump in lumber costs caused by Hurricane Andrew, the Federal Reserve said in its latest national survey, Reuter reports from Washington.

"Economic activity has been improving slowly in most of the nation, but the pace of recovery has been uneven across regions and sectors," the survey by the 12 Federal Reserve banks said. The report, known as the Beige Book, was based on information gathered before September 15 and is the last one before the November 3 presidential election, in which joblessness and economic weakness are key voter concerns.

"Little upward pressure on prices has been evident, except for products such as lumber and natural gas associated with storm-related damage," the summary said. Rebuilding after Hurricane Andrew would stimulate economic activity in Florida and Louisiana.

Retail sales were "steady or slightly higher" in most regions, except for lacklustre new-car sales. Manufacturing activity had weakened for cars, aerospace and defence-related industries.

"In manufacturing outside these sectors, however, improvement is noted in orders, production and sales."

The survey found that the pace of new homebuilding was improving slowly, particularly for low- and mid-priced homes, although commercial and other non-residential construction was weak.

Chile budget 'in surplus'

CHILE plans to keep its budget in surplus next year, despite an impending election, Mr Alejandro Foxley, finance minister, said yesterday, George Graham writes in Washington.

He told an audience of bankers and investors at the International Monetary Fund and the World Bank annual meetings in Washington the annual budget would show a surplus for the fourth year in a row. Chile's economic growth had surged to an annual rate of 5.5 per cent, Mr Foxley said.

Chemical Bank move new blow to Docklands

By Vanessa Houlder, Property Correspondent

CHEMICAL BANK, the third largest bank in the US, yesterday announced plans to move its European headquarters to Alban Gate in the City of London instead of Canary Wharf, the insolvent office project in London's Docklands.

The decision is a further blow to the viability of Canary Wharf, the project developed by Olympia & York, the Canadian company which has sought protection from its creditors. Canary Wharf had already been damaged by the loss of American Express, another prominent tenant, earlier this month.

The US bank's move, however, greatly benefits Alban Gate, another conspicuous new building which has struggled to find tenants since its completion. The large, high profile building in London Wall, designed by Terry Farrell, was developed by MEPC, Britain's second biggest property company.

Chemical Bank has withdrawn from Canary Wharf, where it agreed to let about 200,000 sq ft of space, because of the project's "inability to perform" on incentives once it went into receivership. The lease had been signed by Manufacturers Hanover Trust before it merged with Chemical Bank last year. Alban Gate will be used for the bank's trading-based and corporate finance businesses.

Mr James Tuckey, managing director of MEPC, said it showed that the supply of good quality space in the City was shrinking, although it did not mark a turning point for the depressed City office market.

The terms of the deal were confidential, although MEPC said that the 25-year lease had break clauses – which allow a tenant to move out – on August 1 1993 and at the end of the 5th and 15th year, subject to penalties.

The insistence on a break clause of under one year is highly unusual. However, MEPC believes it is unlikely to be exercised since the bank will spend over £20m in fitting out its premises, starting in December.

Major and Reynolds to meet tomorrow

By Tim Coone in Dublin

AN URGENT meeting is to be held between the British and Irish prime ministers in London tomorrow after three days of talks in Dublin on Northern Ireland's political future, and a week of pressure on the Irish punt triggered by sterling's departure from the ERM.

The Dublin talks, which were boycotted by the Democratic Unionist party, appear to have made only limited progress and differences have emerged between the British and Irish governments over the sensitive issue of scheduling a date for the next meeting of the Anglo-Irish conference.

Five hours of talks on Tuesday night between the two government delegations failed to produce a date, which had been tentatively pencilled in for next Monday. The two unionist parties object to any further meetings of the conference, held under the auspices of the 1985 Anglo-Irish agreement, while the present round-table talks are in progress. There is concern that the DUP might use a new conference meeting as an excuse to abandon the round-table talks.

The Irish government is anxious that the agreement should not be undermined by further postponements of the conference, which gives it some, albeit limited, influence in Ulster's affairs.

Workers 'reluctant to lead unions'

By David Goodhart, Labour Editor

THE shop steward could soon be consigned, like the strike, to the museum of industrial relations history.

According to the semi-official 1990 Workplace Industrial Relations Survey, published yesterday, only 38 per cent of UK workplaces now have a shop steward – or senior staff representative – down from 54 per cent in 1984.

The survey, which has taken two years to be processed, is the most authoritative analysis of UK industrial relations, based on 5,000 interviews with managers and employee representatives.

The decline of the shop steward is seen as part of a broader decline in union influence which the survey attributes to changes in the law and the nature of the workplace. It reveals a decreasing readiness among employees to take on the role, with a growing number of uncontested elections for stewards.

In the larger workplaces surveyed – those with more than 25 employees – companies' recognition of unions for collective bargaining had slipped to 53 per cent by 1990, down from 66 per cent in 1984. However, this is put down more to the closure of unionised plants rather than to derecognition.

The survey authors see no alternative system of industrial relations arising in the growing non-union sector, although 45 per cent of workplaces have introduced new employee involvement initiatives since 1984. There is also surprisingly little evidence of the growth in "non-standard" employment although part-time work has risen from 16 per cent to 18 per cent between 1984 and 1990.

Where collective bargaining still exists, the survey finds little evidence of a trend towards plant-level bargaining, except in the private manufacturing sector. Nor is there evidence that unions are succeeding in placing training and equal opportunities on the bargaining agenda.

Major judges strength of the enemy within

If the Tory party votes on Maastricht, who will defy the PM? David Owen reports

NO WONDER prime minister John Major has been adopting a Euro-sceptic tone of late. When he stands up to open today's emergency Commons debate on the government's economic policy, he will be more conscious than ever of "the enemy within".

These are the Conservative MPs with extreme doubts about the text of the Maastricht treaty. As he weighs whether he can push it through parliament, Mr Major will be all too aware that the ranks of the doubters are swelling.

An analysis of Tory backbench opinion indicates that the number of Conservative MPs prepared to defy the government, if it pushes for ratification of the treaty without significant changes has risen to at least 40.

When the bill approving the treaty received its second Commons reading with a majority of 244 four months ago, the number of Tories voting against the government was only 22.

There is an extremely wide divergence of opinion. Discontent with the text of the treaty has increased markedly. But some Tory MPs see problems neither with the treaty itself nor the government's ability to have it ratified.

"I have no qualms about it whatsoever," says Mr Robert Adley, MP for Christchurch. "I think the prime minister has a substantial majority in favour across the parties."

In addition to the 40 or more potential rebels, there was a sizeable grouping of MPs who admit to having misgivings and stop well short of pledging unconditional support.

"They cannot necessarily count on my support," warns Mr Nigel Waterson, MP for Eastbourne.

A further sobering feature for the government is the number of new entrants to the Commons in the ranks of the sceptics. Many of these were among the signatories of the motion calling on the government to "make a fresh start with the future development of the EC" which was tabled in June in the wake of the Danish referendum.

Most reservations focused on the issues of the centralisation of powers and the process of economic and financial integration. Backing for the move to a single European market was all but unanimous.

On centralisation, many MPs called for a clearer definition of the concept of subsidiarity than the one set out in the treaty.

The problem with the current definition was "you could drive a coach and horses through it," according to Mr Fabricant, who said he would vote against ratification of Maastricht "as it stands at present."

On financial integration, disillusioned MPs urged either extensive reform of the Exchange Rate Mechanism, encompassing much more rigid obligations on central banks to come to the aid of struggling currencies, or recognition that the system was dead.

"I don't want us to go back into the ERM, so I don't see how I can support Maastricht as it is," says Mr Townend, chairman of the Tory backbench finance committee. "Any party who say after this we are going back into the ERM should be consigned to Devil's Island," expostulates Sir Rhodes Boyson, a former government minister.

Some MPs argue that the problem with the treaty lies less in the text than the government's failure to explain adequately what it actually means.

Many of the most sceptical preface their remarks by emphasising they are not in the anti-European camp. Mr Griffiths says opposition was now coming from "committed Europeans" who were unhappy with the structures being proposed".

There is a common view among Euro-sceptics that they supported the government in the second reading as a vote of thanks to Mr Major and Mr Douglas Hurd, foreign secretary, for negotiating Britain's exclusion from the social chapter and obligation to enter monetary union by the decreed date.

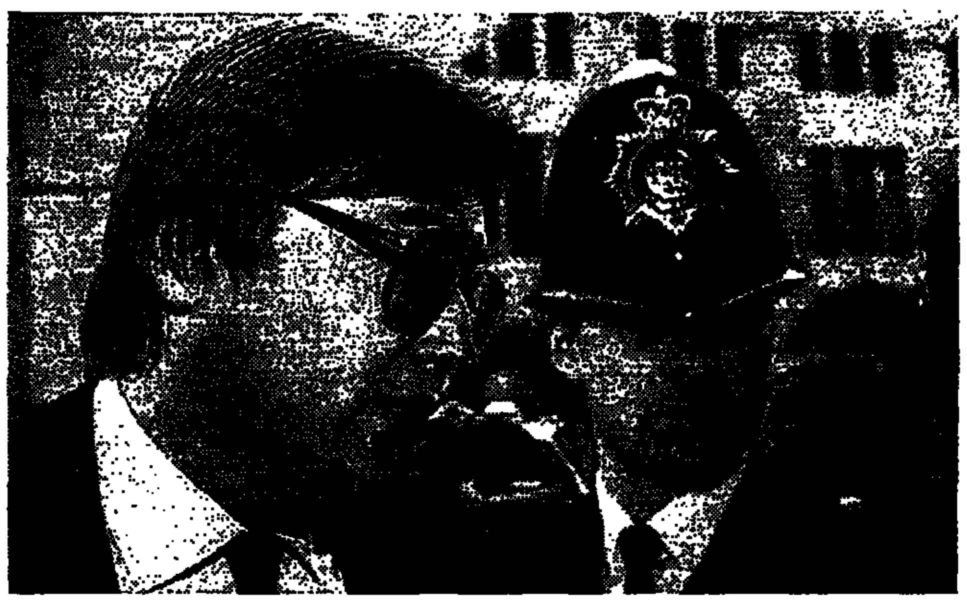
Some Tories were influenced by the assumption – since undermined - that their reservations would not be shared by significant numbers in other member countries. "One swallowed the bits one didn't like on the assumption the rest of Europe was mad keen to go along," observes one experienced MP adding that Maastricht was now "holed under the water."

Several of the sceptics are in favour of a British referendum, although some urge just as passionately against taking such a step.

A further group believes that the appropriate time for a referendum would be prior to any decision to opt into the single currency. "If there is to be a referendum, it should be when the option on a single currency is exercised," says Mr Spencer Batiste, MP for Elmet and a Euro-enthusiast.

Pressure mounts on cabinet minister to resign

By Philip Stephens, Political Editor



Heritage secretary David Mellor pictured arriving for a conference at the National Gallery, London

MR DAVID MELLOR'S hold on his cabinet post was under renewed pressure last night after senior Conservative MPs indicated that they would review his future when the House of Commons reassembles today.

As the embattled heritage secretary, with responsibility for the arts and national treasures, faced a new onslaught in the British popular tabloid press over his acceptance of hospitality from wealthy friends, there was growing speculation at Westminster that he would be forced to resign.

The allegations that Mr Mellor had not detailed the hospitality in the official register of MPs interests' followed newspaper revelations during the summer of his relationship with an actress.

Mr Bryan Gould, the opposition Labour party's 'shadow' heritage secretary, has written to the prime minister asking whether the acceptance by the minister of a paid holiday in Spain breached official rules.

Downing Street, the prime minister's office, insisted that Mr John Major had no intention of sacking Mr Mellor. Mr Major has told colleagues that he will not allow the press to "dictate the composition of the cabinet". For his part the heritage secretary indicated during a series of engagements that he planned to remain in office.

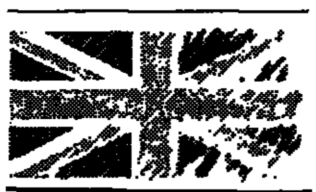
But privately some ministerial colleagues were adding their voices to the speculation that Mr Mellor's position in the government has become untenable.

The Executive Committee of the backbench, rank and file, 1992 Committee of Conservative MPs indicated that it would consider Mr Mellor's position at a meeting during today's emergency debate on the economy. The powerful committee has in the past demanded and secured the resignation of cabinet ministers.

Tory party managers have also been taking wider soundings among the government's supporters.

They are thought to indicate that support for Mr Mellor is at best lukewarm, with many MPs echoing privately a public call by Mr Nicholas Winterton, a Tory backbench MP, for the heritage secretary to resign.

Britain in brief



Consumer spending up by 0.5%

Consumer spending rose for the first time in two years in the second quarter, but official figures confirmed that overall output in the UK was flat.

Expenditure by consumers on durable goods, energy, food, clothing and services - which accounts for about three quarters of gross domestic product - rose by 0.5 per cent in the second quarter compared to the first quarter, the first quarterly rise since the three months to June 1990.

However, the detailed GDP figures from the Central Statistical Office also showed that fixed investment continued to move downwards in the second quarter. It fell by 2.5 per cent on the previous quarter and was 3.5 per cent lower than a year ago.

The revised figures from the CSO confirmed that overall GDP fell by 0.1 per cent in the second quarter compared with the first, to stand 0.6 per cent lower than the same period a year ago. Apart from a small upward blip in the third quarter of last year, this was the eighth successive fall in GDP.

Excluding oil and gas extraction, GDP rose by 0.1 per cent in the three months to June, ending seven successive quarters of falling onshore output. It was 0.9 per cent lower than the same quarter a year ago.

Fosters pays for joint advert

Fosters' Lager, the UK's number two brand, has produced and paid for cinema advertisements which are mostly devoted to another product.

The first 40 seconds of the 60-second adverts, currently running in London cinemas, are devoted to Haagen Dazs ice cream. The brands are owned by different companies, though Dazs gave its approval for its brand to be used.

The adverts appear to contravene what has been regarded as a basic law of brand-image advertising – to get your product noticed early and often.

The ad shows a semi-naked couple eating Haagen-Dazs ice-cream. The man goes to the refrigerator but instead of more Haagen Dazs, he chooses a can of Fosters lager. The background music is replaced by a televised football commentary. The woman registers disapproval at her partner's distraction.

Mr Jeff Dale, the marketing controller for Fosters, said: "We needed to hit people between the eyes".

Fosters spends £16.5m annually on marketing the brand in the UK. Its joint ad with Haagen-Dazs will run in cinemas until Christmas.

With its relatively small advertising launch budget of £300,000, Haagen-Dazs now has a 20 per cent share of the UK dairy ice-cream sector, outstripping the combined sales of its two nearest competitors.

Warning on rural jobs

More than 150,000 rural jobs may be lost during the 1990s as a result of a contraction in agriculture and the industries which depend on farming, the Rural Development Commission warned yesterday.

The "peace dividend" will lead to job losses in many rural areas but especially in East Anglia, where nearly 2 per cent of the population is made up of US forces personnel and their families, and the south-west of England.

An estimated 14,000 families are homeless in rural areas and the problem is growing faster than in towns, the commission, which promotes rural development, said in its annual report.

Rural services and facilities are under continued pressure with a number of village halls threatened by the cost of complying with new hygiene and safety regulations.

Ford calls car unions to talks

Ford has called meetings in London today with its production and staff unions, raising fears of further short-time working and possible job cuts against the background of slumping UK new car sales.

Union leaders, including Mr Jimmy Airlie of the AEU and Mr Jack Adams of the TGWU, have been told that Ford wants to discuss the industry's capacity, the state of the market and related problems. However, both sides last night made clear they regard as groundless rumours that Ford might be considering plant closures in the UK.

Today's talks are to be held between the unions and Ford's Joint Negotiating Council, led by Mr John Hougham, Ford of Britain's personnel director.

They will follow an announcement by Ford last week that it is to stop production for six days in September and early October at its Halewood car assembly plant on Merseyside in response to disappointing sales in the UK and weakening demand from export markets.

Ford is also reducing output at its Fiesta assembly plant in Dagenham, Essex, and at its Transit van plant at Southampton. The company has warned there is no sign of any improvement in UK new car demand and that it sees no indication of any real recovery before mid-1993.

Seven unions seek alliance

More than seven unions in three industries are considering an alliance to protect jobs.

Unions in the rail, coal and electricity industries are likely to form a group to protest jointly against what they see as threats to jobs in all their industries.

Rail unions are opposing privatisation, miners' unions the closure of pits and electricity unions are fighting moves to generate electricity from gas.

The unions understood to be involved are the TGWU and GMB general unions, the NUM and Nacods miners' unions as well as the RMT, TSSA and Aslef rail unions.

Salaries outside NHS monitored

Medical consultants can earn six times their National Health Service salary by carrying out the equivalent work in the private sector, a study by Laing and Buisson, health care consultants, said yesterday.

The analysis, sponsored by Norwich Union Healthcare, one of the UK's largest private health insurers, concluded that private specialists' fees were substantially in excess of "necessary" levels and had increased sharply in the last few years.

It estimates that 12,000 of the 19,000 NHS consultants in Britain conduct some private work, and that on average privately practising specialists will earn about £95,000 this year. Total consultants' net income derived from private practice as a proportion of total income including that from the NHS has risen from 15 per cent in 1975 to 31 per cent in 1990.

Construction outlook bleak

The recession in the construction industry is tightening rather than slackening its grip according to government figures published yesterday.

According to the Environment Department construction orders won by British contractors fell by 16 per cent during the three months to the end of July compared with the corresponding period last year.

Private sector orders by industry and commerce were among the worst affected. Private industrial orders were 26 per cent lower compared with the corresponding period a year ago while private commercial orders, mainly offices and shops, were 22 per cent lower.

Private housing orders on the same basis were 15 per cent lower. Public housing orders, including from housing associations, were 24 per cent higher.

Guide for EC employers

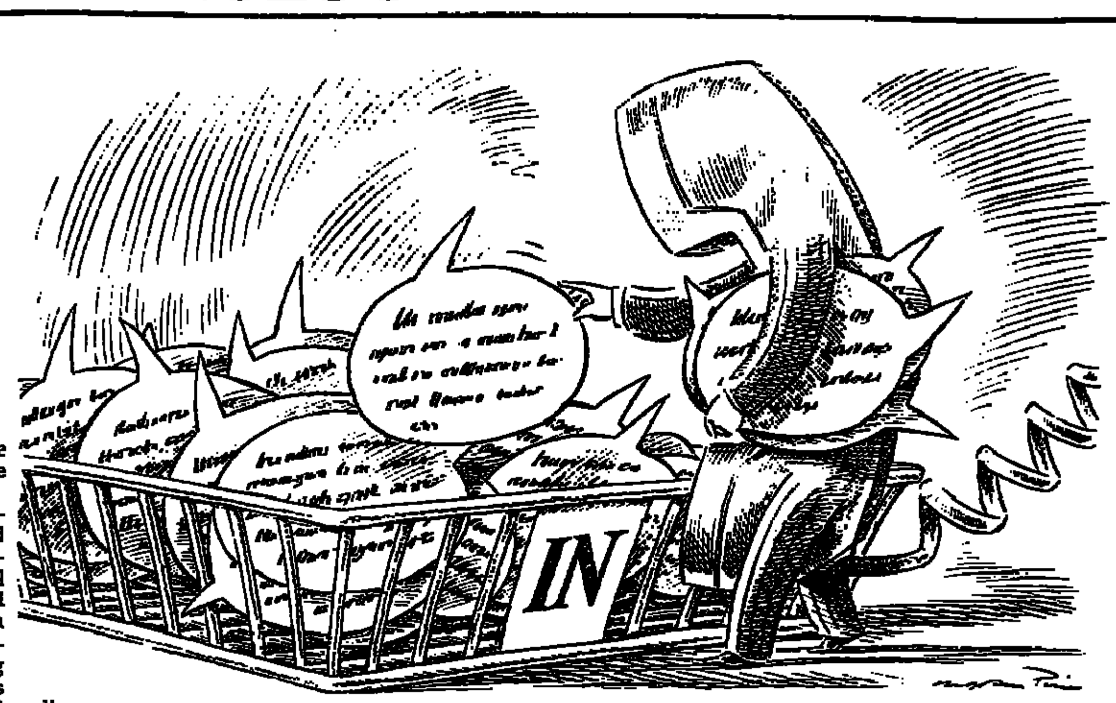
Mrs Gillian Shephard, the employment secretary, launched a new initiative intended to give European Community employers a quick and simple guide to qualifications of prospective employees from member states.

Mrs Shephard was hosting a training conference, Skills for Europe, which is one of the events being organised by the UK to mark its presidency of the EC.

The employment secretary said she did not believe that the system was fully accessible to ordinary working people. She wanted to set-up a simple document – a European Record of Achievement – that would set out the qualifications and experience held by an individual and could be quickly and easily recognised and accepted by employers in member states.

Voice mail systems may seem impersonal, but their efficiency is winning them friends, says **Louise Kehoe**

Don't shoot the messenger



"I AM either on the phone or away from my desk. Please leave a message after the tone. To reach my assistant, press 'One'. To reach an operator press 'Zero'. To skip this message in the future, press the '#' key."

If you are a regular caller to companies in the US this type of greeting, played by "voice messaging" or "voice mail" systems, is already familiar. It provides an efficient – if somewhat irritating and impersonal – means of communication.

In its basic form, voice messaging is merely a computerised answering service that records and replays telephone messages. However, the latest systems integrate voice with facsimile and electronic mail, transforming the telephone into a multimedia communications terminal.

Voice mail is a technology that Americans love to hate, but they are using it in ever-increasing numbers. An estimated one-third of all large- and medium-sized companies in the US already use voice messaging and many residential telephone users also have access to voice mail services provided by regional telephone companies.

"Ten or 15 years ago, if you called someone and got an answering machine you wondered who that person was trying to avoid speaking to. Today, if a call is not answered by a person or machine, you wonder the same thing. Who are they trying to avoid?" says George Sollman, president and chief executive of Centigram, an early leader in the voice messaging systems market. "That shows the extent to which we have adapted to the technology."

Not so in Europe and Asia, however, where sales of voice messaging systems have been slower to take off, in part, it seems, because there is more resistance to talking to machines. In Europe, there are also regulatory hurdles. It takes about six months and costs about $500,000 (£280,000) to obtain approval from a European PTT (national telephone company) to connect a voice messaging system to the phone network, says Douglas Chance, president of Octel Communications, the largest US supplier of voice messaging systems.

Yet as Octel and other voice messaging system manufacturers step up their international marketing efforts, voice mail appears set to become more widely accepted. Voice mail is catching on in Europe as a service for users of car phones. The system picks up messages while the user is not in the car or when the telephone is turned off.

In the US, however, voice mail is viewed primarily as a productivity tool, especially among the many companies that are "downsizing" and cutting support staff. With fewer secretaries to take messages, the voice mail system ensures that calls do not go unanswered.

Unlike the standard answering machine, a voice mail system picks up calls when you are already on the telephone. Most systems also give callers a generous amount of time to record their message and the opportunity to review what they have said.

Perhaps the biggest advantage of voice mail is that it eliminates "telephone tag". If the other party is "on the phone or away from my desk" it is always possible to leave a message. As people get used to the system they leave more substantive messages and no longer feel the need to talk directly to one other.

Messages that are too complicated, or too sensitive, to be relayed by a third party can also be delivered in confidence to a "voice mail box". Companies with international operations find voice messaging a more personal alternative to electronic-mail or facsimile for sending messages across time zones. Hotels are beginning to install voice mail as a service to guests, so that callers are able to leave accurate, confidential messages in any language.

Voice messaging services can also provide a communications lifeline in emergency situations. Following the devastating explosions that destroyed the Reforma district of Guadalajara, Mexico, earlier this year, Teléfonos de Mexico (Telmex) swiftly transformed its corporate "voice mail" service into an emergency message system.

In normal circumstances, however, voice messaging simply provides improved communications capabilities. The full potential of voice messaging is just beginning to emerge with the introduction of "voice processing systems" that allow users to access a wide range of services over the telephone.

The caller can tap into broadcast news services, retrieve and update computer database records, initiate or receive facsimile and electronic mail messages, and even have them read by a computer generated voice.

Sollman describes how a voice processing "power call" works. He is on a business trip. A call to his voice mail box alerts him to an urgent fax sent to the office, which is then "read" to him by the Centigram system. A customer wants a quotation on a customised voice messaging system.

Having listened to the message, he taps in the fax number of the hotel where he is staying and a copy is automatically routed to him. The customer's request requires immediate attention and several people on Sollman's staff need to be alerted.

From his hotel room telephone, Sollman records a voice mail annotation urging action on the customer's request. He sends the message and the original fax to a pre-determined list of colleagues by pressing a few keys on the phone.

Voice processing can similarly provide links with electronic mail and computer databases or information services. Interactive voice response systems, which enable the caller to speak directly to a computer and be understood, also promise to broaden the applications of voice processing.

Each of the leading voice processing systems manufacturers has its own specialty. Centigram has taken a lead in the use of computerised "text to speech" translation.

Octel is offering features that turn the touchtone telephone keys into a primitive keyboard to type facsimile messages, select news or traffic reports and post electronic mail messages. VMX, another voice messaging systems company, is building a broad range of applications by encouraging third-party software developers to write programs for its systems.

Voice messaging specialists are, however, facing increased competition from manufacturers of private branch exchange equipment such as AT&T, Northern Telecom and Rolm, which are offering voice messaging as an adjunct to their PBX systems.

And although voice processing systems manufacturers claim that their products are complementary to computer network systems, it seems certain that the two industry segments will eventually collide.

While voice processing systems are beginning to access data processing systems, computers are acquiring many of the attributes of voice processing including "business audio" features that enable the user to record spoken messages and incorporate them in text and graphics documents.

Talking to machines may still be an uncomfortable experience for many, but by the end of the decade it is likely to be commonplace. Worse, it seems that these computerised systems will increasingly talk back to us. Perhaps the only consolation is that when talking to computers we can be as rude as we please without causing offence.

Breaking free from 'voice mail jail'

They call it "voice mail jail" – an automated telephonic maze that traps callers and foils their efforts to reach a mere mortal. It has become one of the daily hazards of business life in the US and it is what gives voice mail a bad name. Everyone has horror stories about voice mail. Here is a small sampling:

● Calling a software company for the first time, the voice mail system answers: press "One" if you know the extension of the person you are calling, press "Two" to reach the person by name. This presents something of a problem if you know neither the extension or the name, but want to speak to the marketing manager. Undaunted, you press a few keys in the hope of raising a response. Sure enough, a phone starts ringing, but the person is unavailable and you now have the option of leaving a message for an unknown party or following instructions on how to reach his assistant. Choosing the latter, and beginning to feel frustrated, you reach yet another voice mail message, and a third and so on. You are in voice mail jail.

● Some voice mail systems are horribly complicated, presenting you with a blizzard of options. Government agencies are among the worst. Calling the "Ask Immigration" line at the Los Angeles Immigration and Naturalisation Service is an experience guaranteed to persuade some would-be immigrants to go home. There are more than 20 different options that callers can select, including one to hear instructions on how to arrange to talk to an immigration officer – but not by telephone.

● Pity General Motors employees in Missouri if they cannot get to work on time. After ploughing through three sets of voice mail choices they reach a recording: "Please indicate the reason for being late or absent. Press 'One' for personal illness; press 'Two' if this is a family-related illness; 'Three' for car trouble; 'Four' for personal business; 'Five' if you've overslept; 'Six' if this is court-related; 'Seven' if death related; 'Eight' if weather related." But what if it is plumbing related, or just not related to any of the options given? "You will NOT be switched to an operator," the recording warns sternly.

Nevertheless, there are steps you can take to avoid "voice mail jail". Most systems give you a chance to listen again to lists of options. Choose carefully. If you decide that you have gone off track and are not likely to reach the right party or their designate, hang up and start again. Back-tracking is almost impossible.

The best systems always give you a chance to press "Zero" for an operator. If you are not sure who you need to reach or cannot fathom how to use the voice mail system this is the best option.

LK

Going with the flow

Power fluidics, a new technology which uses the flow of liquids or gases instead of mechanical devices to control manufacturing processes, is set for widespread application in the chemical and pharmaceutical industries.

The UK Atomic Energy Authority originally developed power fluidics as a maintenance-free way of controlling highly corrosive and radioactive fluids in the nuclear industry. Now, in its new guise of AEA Technology, it is transferring the system to non-nuclear users.

SmithKline Beecham, the Anglo-American drug company, agreed earlier this year to develop power fluidics for some of its key manufacturing processes, starting with antibiotics. And this week AEA signed an agreement with Foster Wheeler, the international engineering contractor, to exploit the technology more widely in the pharmaceutical industry.

Power fluidics does away with the need for mechanical devices such as valves, pumps and mixers. No moving parts come into contact with the process fluid. Instead, hydrodynamic forces such as a swirling vortex are used to control it.

For example, AEA has developed three different fluidic mixers to replace conventional stirrers. They can produce fast, medium or slow mixing, depending on the chemical conditions required.

According to AEA and SB, the advantages of fluidics include: reduced maintenance requirements and costs; increased product yield and quality; more compact and therefore less expensive process equipment; move from batch to continuous processing; environmental benefits through increased reliability and reduced waste.

Ray Allen, who runs AEA's processing engineering department, says power fluidics is already bringing in revenues of £1m a year. These are expected to increase rapidly, once Foster Wheeler starts marketing the technology to its customers in the pharmaceutical industry worldwide.

Although drug manufacturing is likely to be the largest application, AEA will also sell power fluidics to other process industries where maintenance-free operation is important, including off-shore oil.

Clive Cookson

PEOPLE

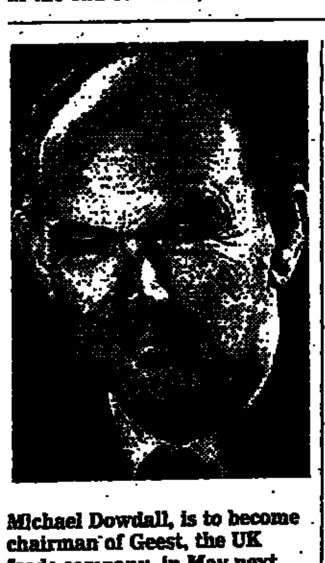
Hankinson plugs RHM's gap

David Hankinson, Rank Hovis McDougall's new finance director, has probably seen the insides of more British companies than the average finance chief. When he takes up his new job on October 5, he will have been finance director of six very different companies over the past 13 years.

The arrival of Hankinson, 53, who quit as Lucas's finance director in March following a boardroom reshuffle, will plug an important gap in RHM's slim top management team.

Bob Rogerson, who had been RHM's finance director for 15 years, retired a year ago and Paul Coker, the deputy managing director, took on his responsibilities. Following Tim Howden's move to head Albert Fisher's European operations at the end of March, Coker had to take on his responsibilities as managing director as well as head the finance side. The increase in Coker's burden has come at a particularly difficult time for RHM – its shares have fallen by two thirds over the past couple of years – and there has been concern in some quarters of the City that the company was not doing enough to foster its relations with big investors.

Hankinson, like Coker and Rogerson before him, is a chartered accountant. After reading law at Cambridge, he spent 11 years with Arthur Andersen before moving into commerce. In 1972 he joined Midland Bank Finance Corporation and a couple of years later moved first to Thomas Cook as group controller and then George Wimpey. In 1979, he was appointed group finance director of The Guthrie Corporation, and after that he went on to be finance director of Wilkinson Sword (1982-83), Chloride (1983-86), Rover (1986-89) and Lucas Industries (1989-92).



Michael Dowdall, is to become chairman of Geest, the UK foods company, in May next year when Leonard van Geest, son of the founder, retires. In the meantime, Dowdall, already a non-executive, becomes deputy chairman.

Dowdall spent most of his working life at Unilever where he was primarily responsible for the worldwide detergent sector. According to one analyst, "he is good solid reliable chap, with excellent European contacts, who has been around for a long time." Indeed, David Sugden, Geest's chief executive, says Dowdall is expected to help Geest expand its European network.

Dowdall, 62, is also a non-executive of BPB Industries; chairman of Eemland Holdings NV, the holding company for Wilkinson Sword, and a main board director of the NFU Mutual.

Simon Davies leaves Wentworth International

Simon Davies has resigned as group development director of Wentworth International Group and has left the USM-quoted plastic packaging products company. He had fulfilled many of the functions of finance director and indeed had been responsible for preparing the group's accounts.

In July Haque Khan retired early as chairman and chief executive and was replaced by Robert Gill, who issued a dividend warning on August 26. He described the group's past accounting practices as "sharp" and "at the cutting edge"; he said the board was looking critically at practices previously employed, such as the capitalisation of interest, fair value accounting, the charging of consultancy fees to acquisition targets, and the capitalisation of acquisition costs.

Tim Palmer, finance director, will now assume Davies' financial duties.


Lord Hanson's son, Robert (right), has been appointed to the board of the Anglo-American conglomerate at the age of 32. After seven years with N M Rothschild, Hanson junior moved across to his father's company, as assistant to the two vice-chairmen, in 1990. Also promoted on to the board is Graham Dransfield (left), 41, Hanson's senior solicitor for the past four years. Dransfield replaces Alan Hagdrup, 60, who relinquishes his executive director responsibilities. Hagdrup, on the board since 1974, will continue to work on legal matters full-time for the next year, with plans to stay on part-time for an indefinite period thereafter.

Bodies politic

■ Sir Michael Palliser, chairman of Samuel Montagu and a former head of the diplomatic service, has been appointed president of the CHINA BRITAIN TRADE GROUP.

■ Joanna Reynolds, director of Berkeley Magazines, part of Reader's Digest, has been appointed chair of The DIRECT MARKETING ASSOCIATION (UK).

■ Nancy Evans has succeeded David Hanson as director of RE-SOLV, The Society for the Prevention of Solvent and Volatile Substance Abuse.

■ Colin Dawe, md of British Alcan stockholder division, has been appointed chairman of the ALUMINIUM STOCKHOLDERS ASSOCIATION.

■ Leslie Teasdale, chairman of the BSI committee on standards for pumps, has been appointed technical director of The BRITISH PUMP MANUFACTURERS' ASSOCIATION.

■ Andrew Stewart, former MP for Sherwood and a former pps to the secretary of state for agriculture, has been appointed chairman of the AGRICULTURAL TRAINING BOARD from October 1992 to March 1995.

Brian Emerson

Brian Emerson, who retired as finance director of the Stock Exchange in 1986 after a varied financial career, died last week after suffering a heart attack at Heathrow airport.

Former colleagues describe him as a highly-regarded man with a strong character. He was a powerful leader who developed many good ideas and drove them through to completion.

Born in 1926, Emerson took his articles in 1942 at Barton Mayhew, an accountancy firm which ultimately merged to become part of Ernst & Young.

He joined Unilever as a systems auditor in the early 1950s, and moved on to Beecham and then PA, the management consultants. During the late 1960s and early 1970s he all but created the management consultancy division at Arthur Young, the accountancy firm which is now part of Ernst & Young, and became the division's first partner.

He went on to join Barclays Bank, and then in 1976 became the first head of finance at the Stock Exchange before retiring ten years later.

MANAGEMENT: MARKETING AND ADVERTISING

Andrew Adonis looks at a new generation of universities

Polys grow up by degrees

On August 1, the citizens of east London awoke to find their streets festooned with banners proclaiming the birth of a new university.

How many realised Greenwich University was none other than Thames Polytechnic in new garb? Only, perhaps, early birds who witnessed the respraying of its vans, or the men abseiling down the side of the poly's main Woolwich building to remove the old signs.

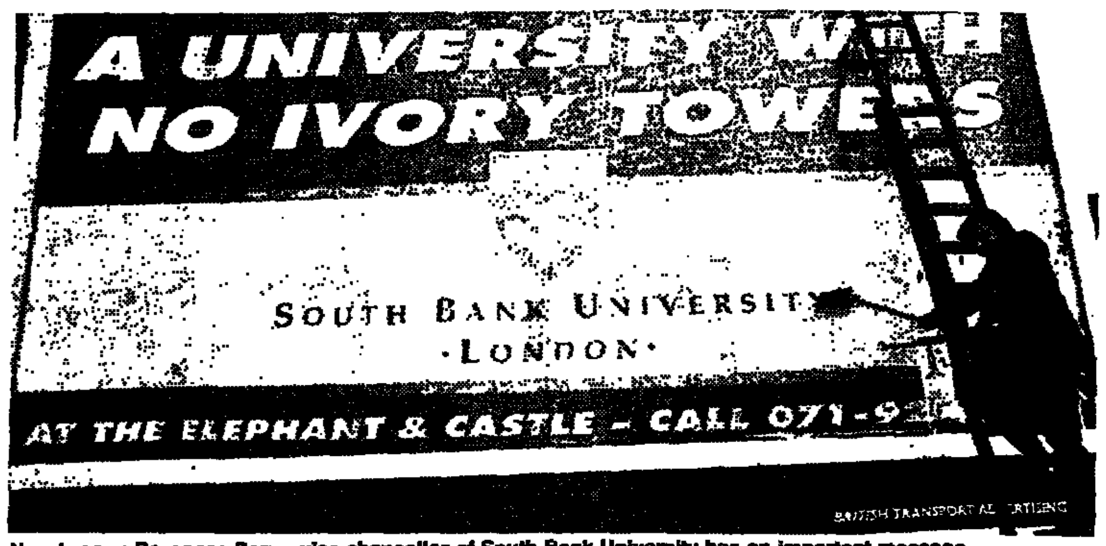
For South Bank Polytechnic, also *reincarnated as a university in the* summer, new logos were just the beginning. Posters proclaiming "a university without ivory towers", "poly gone" and "universities challenged" *have* been bemusing commuters and would-be students alike.

The opportunity given to Britain's 36 polytechnics to call themselves universities, under the government's policy of creating a unified higher education sector, has been seized by most to relaunch themselves.

Poly directors, not renowned for inspirational marketing, now gossip about "corporate identity" and "Swot analysis" – analysing Strengths, Weaknesses, Opportunities and Threats to their market share. Image and PR consultants are doing a roaring trade.

The name changes tell much of the story. Leicester Poly adopted the city's medieval earl to become De Montfort University; Liverpool *took on the local tycoon – whose* son, fortuitously, is chairman of its governors – and is now Liverpool John Moores University.

Even the least pretentious name *changes reflect careful positioning.* Says Valerie Stead, Greenwich's deputy vice-chancellor: "We found the name [Thames Poly] a liability, because nobody was quite sure where we were." Six agencies were asked to tender for a name and logo: Greenwich and the compass, put forward by Primary Contact, a subsidiary of Ogilvy & Mather, triumphed after market research showed Greenwich to be the second best-known place in London after the Tower.



New broom: Baroness Perry, vice-chancellor of South Bank University has an important message

Leicester Polytechnic, on the other hand, selected De Montfort because it wanted to escape close identification with its parent city. A "distributed university" with campuses in Milton Keynes and Leicester, to which colleges in Lincoln and *Bedford* are likely soon to be added by mergers, it was keen to project a regional image.

According to Jan Hall, an *executive* with Coley, Porter, Bell (CPB), the corporate identity consultants employed by the new university: "De *Montfort conjures* up all the right feelings of status and quality – and the name is well known in the Leicester area. In our surveys, it went down particularly well with *the overseas students and employ*ers: it's clearly British and prestigious-sounding."

CPB's Swot analysis for De Montfort and North London University – *its other former poly client* – showed the main "threat" to be the very change of formal status for which polys had been campaigning. Says Hall: "Most of the polys had strong local links with sections of the community not used to higher education. Many of the mature students we canvassed – particularly those on part-time courses – told us they'd never have thought they were up to a university, or variations on that." Hence the emphasis *on "no ivory towers at the Elephant* and Castle".

Greenwich's promotional literature stresses that as a university it will "continue to encourage applications from older students who don't necessarily have traditional qualifications". It has no intention of changing its course portfolio, or of seeking to reduce from 47 per cent the proportion of its students aged 25 or over.

With most of the new titles barely *a few months old, it is too soon to* say what the new names, logos and marketing have done for recruitment. In London, where the concentration of institutions generates fierce competition, efforts at differentiation are intense. According to John Callen, head of marketing at North London, "It's not just new logos and names. We are trying to *destroy the segmentation* in consumers' eyes about the polys, while retaining loyalty as a student-focused, community institution."

Men in white coats present a caring image

By John Thornhill

Boots chemist shops yesterday stocked their shelves with a home cholesterol testing kit which the company hopes will help reduce the *alarmingly* high incidence of heart disease in the UK – as well as making money for shareholders. The simple kit, which requires shoppers to prick their thumbs and test their blood using a simple meter, delivers accurate results in 20 minutes. It costs £7.99.

The launch at the Ritz Hotel in London is part of a Caring for Your Heart campaign aimed at helping *to meet the government's target* of reducing deaths from coronary heart disease by 40 per cent by the end of the decade. Boots is also issuing leaflets on diet and lifestyle *changes* and *has set up a free* telephone enquiry line for those needing further information.

Peter Shotter, general manager of Boots' healthcare business, says: "Awareness of cholesterol levels is about 9 to 13 per cent in the UK, compared with 70 per cent in the US. But about 150,000 people are killed by coronary heart disease each year. Cholesterol is a key factor."

Although Boots hopes that the kit will record strong sales in its own right, the product's launch symbolises a shift of marketing emphasis that has taken place within Boots in recent years.

The company, long famed for its pharmaceutical services, has rediscovered that there are significant market opportunities in its own backyard – especially at a time when the government is trying to shift the burden of healthcare provision towards individual responsibility and preventative medicine.

"The company's strategy in the 1970s and 1980s was to expand substantially its merchandise offering. But I would say there is now a greater focus again on the core healthcare business," Shotter says. "It is partly a recognition that this is what we are best at doing but also that there is enormous market potential."

Extensive market research suggested that the public had great trust in Boots' "men in white coats". *The company believes it* can do more to exploit that commercial strength by moving into related healthcare areas.

Boots recruits just under one-third of all pharmacy graduates in the UK and almost all the company's 1,078 store managers are qualified pharmacists.

The company is currently experimenting with offering a wide range of health screening services, such as cholesterol, blood, *pregnancy and urine testing*, together with full medicals at two stores at Bromley and Lincoln. "It is early days and we are just scratching the surface at the *moment," Shotter says.*

But a graphic example of the lucrative business opportunities lying at the periphery of the NHS is provided by Boots' move into the nursing homes' drug supply market in recent years. The company now supplies the *pharmaceutical needs of 80,000* patients at 3,600 homes.

It is a sign of the evolution of business attitudes at Boots that Shotter was recruited from outside the company following a marketing career with such fast moving consumer goods giants as Procter & Gamble and PepsiCo. "There has been an injection of new ideas by deliberately going out into the marketplace and bringing in people with different experiences," he says.

The concept of turning Boots' stores into a chain of mini-healthcare centres is clearly attractive for potential patients and hard-pressed health service managers, but as yet it remains an unproven prospect.

But Gordon *Hourston*, managing director of Boots the Chemist, stresses that while there are great potential opportunities in developing its primary healthcare business, he first has to be convinced that it would be in the best interests of shareholders.

Boots is a commercial enterprise; profits generated from the provision of healthcare services will have to be every bit as productive as the returns from selling soaps or photographic film.

Why goodwill can be bad news

Following what turned out in 1991 to be the advertising industry's worst post-war year, few advertising agencies are prepared to square up precisely to how financially strapped they are. The recession could hardly have come at a worse time, following as it did the acquisition-driven merger mania of the previous decade and ensuing debts.

However, investors in the advertising sector can now turn for guidance to a report* produced by Willott Kingston Smith, the London-based accountancy firm.

Taking as the basis for its survey the most recent annual accounts of 50 public and private companies, the study concludes that, in aggregate terms, the companies paid 45 per cent of their combined operating profits – £97m – in interest during their last financial year. This compared with £81m (22 per cent) the previous year.

Collectively, pre-tax profits collapsed by 76 per cent and profit margins halved; 36 per cent of the companies incurred a pre-tax loss, compared with 16 per cent a year earlier.

In terms of returns on capital employed, the study concludes that the advertising sector, overall, has fallen behind expectations.

The survey states that "the measurement of profits as a return on capital employed in the business has become of increasing importance" following agencies' acquisitions of other companies, investment in freehold properties and spending "on anything from information technology to fleets of smart cars. At its most basic, the return on the investment must leave a margin of profit after paying interest on the capital borrowed to run the business."

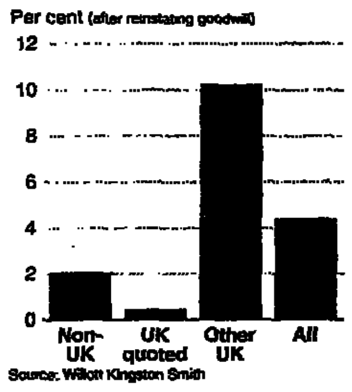
The report points out that "the balance sheets of acquisitive UK public companies do not show the full extent of the capital which has been ploughed into the business" because of the perfectly legal practice of immediately writing off any amounts paid for the goodwill of companies which have been acquired in the past. This was a practice popular with many of the companies in the report in the 1980s, since it helped them with further acquisitions.

Willott Kingston Smith have thus reconstructed the balance sheets of the companies involved to include the goodwill as an asset, giving "a more meaningful view of the total capital employed".

On that adjusted basis, "the return on average capital employed by the top 50 groups (including both quoted and private companies) . . . was a meagre 4.38 per cent. Much higher returns averaging 10.2 per cent were achieved by many of the unquoted UK groups, particularly those which have eschewed the acquisition trail.

"But the returns achieved by most UK quoted groups, after reinstating goodwill write-offs, were quite unacceptable at an average of just 0.4 per cent. Only CIA group (31.3 per cent), Geers Gross (26.4 per cent) and Abbott Mead Vickers (21.9 per cent) could claim to be operating at a respectable margin. None of the three had been particularly acquisitive."

Agencies: return on long-term capital employed



Source: Willott Kingston Smith

Financial Performance of Marketing Services Companies, 1992. Willott Kingston Smith, 15 Cavendish Square, London W1M 9DA. £100.

Gary Mead

ARTS

Alastair Muir

Anne Sophie von Otter (top) and Amanda Roocroft

Opera/**Max Loppert**

I Capuleti e i Montecchi

The bomb-scare at the Theatre Museum late on Tuesday afternoon played havoc not only with Covent Garden traffic, but also with the schedules of the theatres in the vicinity. In the case of the Royal Opera House, it prevented the Pier Luigi Pizzi sets for Bellini's *Capuleti* from reaching the stage until impractically late in the evening, which in turn resulted in the first performance of its latest revival being given in limited form – in costume but without props or set-change.

Generously, the house offered the show free, with money-back and re-booking facilities as part of the deal; those who decided to remain and wait out the 45-minute delay before curtain-up seemed not to mind the limitations. And indeed, anyone who recalls the static, tableaux-by-numbers quality of Pizzi's own production in its original (1984) estate is unlikely to have indulged in an excess of hand-wringing over its trimmed-down presentation.

As sometimes happens in such circumstances, the audience spirit of mucking-in and the performers' determination to deliver their utmost came together to provide an enjoyable evening. The opera is, of course, indomitably enjoyable in its own right – early Bellini, peculiarly pithy and candid in its musical and dramatic qualities, a *Romeo and Juliet* pared down to essentials. In addition (and given that one should judge any such performance with proper caution), the evidence of careful, thoughtful musical preparation was everywhere apparent.

For this we must obviously thank Daniele Gatti (who first came to the house earlier in the year, as conductor of another Bellini opera, *I puritani*). He allows not a moment of slackness or routine; he encourages the players to dig into the lines as though no critical disapproval of Bellini's scoring had ever seen the light of day. His ardour is winning, even though my own taste in Bellini interpretation is for a far less frenziedly assertive directorial personality, less pushing of the voices, less beating-out of every rubato, altogether greater lyrical spontaneity.

In truth, the performance was also enjoyable in spite of the absence of a single cast-member who could honestly be reckoned a born Bellinian. The men matter, of course, less than the women (though the wooffy Italian enunciation of the basses was distressing, and Keith Lewis, a Tebaldo remembered from 1985 revival, sounded in poor vocal form). Amanda Roocroft (Juliet) made pretty, easily emitted sounds above the stave (and her familiar gummy ones lower down); she has worked touchingly hard on the role, without so far evincing the faintest glimmer of instinct for either the Bellinian line or the drama that should emerge out of it.

More problematic was the immensely distinguished presence of Anne Sofie von Otter, undertaking here her first Romeo. She looks wonderful: tall, trimly adolescent and athletic. She sings words and phrases with her usual, admirable musicality; the tone, when not pinched by the highest reaches of the role, is beautiful. What she lacks is the essential Italianate attack, colour-variety, forwardness of personality. In my view she is unsuited to the bel canto repertory, and the disadvantages, even possibly the dangers of her further exploration thereof should not be underestimated.

In repertory at Covent Garden until October 14

Cinema/**Nigel Andrews**

Tableaux vivants in search of a story

PATRIOT GAMES **Philip Noyce**
SWOON **Tom Kalin**
JUST LIKE A WOMAN **Chris Monger**
SECRET FRIENDS **Nicolas Roeg**
CALIFORNIA MAN **Les Mayfield**

With *Patriot Games* and *Swoon* opening in one week, we have a definitive Yin and Yang of modern American cinema. On my right the latest large-screen, all-colour, exploding action thriller starring Harrison Ford and based on a Tom Clancy novel. On my left the strange, delicate and monochrome *Swoon*. This stars two actors we have never heard of before and is based, with many a deconstructionist trope and modernist gay inflection, on the Leopold-Loeb murder case of the 1920s.

While *Patriot Games* will pack them in at every Odeon, *Swoon* will probably fill one and a half arthouses. And while *Patriot Games* gallops along using as narrative whip the tried-and-true question "What next?", *Swoon* stands moodily in one place turning different facets of itself to the grainy light.

Thanks to the riddling, fragmented structure of this film, written and directed by Tom Kalin, the question "What next?" is replaced by "What just happened?" History already knows the what-nexts in the Leopold-Loeb story and so do most moviegoers: they were fictionalised in Hitchcock's *Rope* and dramatised semi-factually in Richard Fleischer's *Compulsion*. *Swoon* makes us turn away from the known culmination points – murder, trial, life imprisonment – to search for earlier formative truths about the culprits and their society.

Leopold and Loeb were two young gay lovers who murdered, seemingly without motive, a neighbour's child in Chicago in 1923. Theories grew like jungle weeds around the subsequent trial, where Clarence Darrow, no less, took the defence brief. Were L and L self-styled superman who had overdosed on Nietzsche readings? Were they common-or-garden sadists? Or were they affectless artists of life, seeking to sculpt the perfect crime?

Writer-director Kalin gives us less an answer than a deepening conundrum. His film is series of tableaux vivants in search of a "story." Nathan Leopold (Craig Chester) and Richard Loeb (Daniel Schlachet) are young, spoilt and narcissistic; they are also grave, introspective and mysteriously resistant to the probings of police, lawyers and even film-maker. *Swoon*'s power comes from its ability to provide a searing photogravure recreation of period and character – from Prohibition speakeasies to Gatsbyish tea parties, from grainy gay love scenes to shadow-strewn police interrogations – and still to haunt us by leaving more questions than answers.

In a mainstream Hollywood genre film this would be a fault. Why are the ends not tied up, the audience would cry in unison? Take *Patriot Games*. Here every loose end is painstakingly knotted by the close, as if by some demented Norn doing punishment time. I once opened Tom Clancy's novel with a view to reading it, but closed it again on realising its extreme dottiness. In the book CIA hero Jack Ryan heads off an IRA conspiracy against our royal family and has much badinage en route with the likes of Charles, Di, Philip and HM. In the film these persons are thrown out and replaced by an all-purpose fictive toff: James Fox as "Lord Holmes."

Perhaps as well. What could the IRA do to the Windsor family that the Windsors are not doing to themselves already? So we have Provo thug Sean Bean attempting to assassinate Lord H outside Buck House; the happily on-hand Jack Ryan (Harrison Ford) saving his nobship in the nick of time; and then Mr F spending the remaining 100 minutes eluding the deranged attentions of the pursuing Bean.

It all ends on Cape Cod or somewhere, as the British Lord descends on the American Ford for dinner to hand him his honorary knighthood; whereupon, guess what, the lights go out and the mad Bean is revealed to be in the garden.

This is one of those films where one cannot spoil the plot even by telling it. In the screen's last Clancy adventure, *The Hunt For Red October*, we had a red-hot story, about a defecting Soviet submarine captain, plus some clever casting: one newcomer (Alec Baldwin as Jack Ryan) blended with one grizzled veteran (Sean Connery as the Russky). In *Patriot Games* the plot is threadbare and Harrison Ford's prolific serial-hero career to date (formerly Han Solo and Indy Jones) now lends a sense of *déjà vu* to this latest parade of winks, nods and startled reaction shots.

To these demerits we must add auto-pilot direction by Philip Noyce (*Dead Calm*) and an array of the usual wondrous Hollywood-goes-to-Britain topographical oddities. I was particularly struck by the chase scene which debouched from Piccadilly's Burlington Arcade into Aldwych tube station; though I must award a runner-up prize to the reference to Lymington the well-known port in "Kent."

★

The list of Americans lost in Britain is large and growing larger. Gerald (Adrian Pasdar) in *Just Like A Woman* is an international banker living in London with his family; at least until he is thrown onto the streets by his wife when she discovers enough silk lingerie in his wardrobe to costume an entire Rainer Werner Fassbinder film.

But Gerald is no adulterer. No; forced to answer the question "Who was that lady we saw you with last night?" he would have to reply "That was no lady, that was myself." He is, in short, a transvestite.

Shock for audience; nervous giggles from his new landlady Julie Walters; and then the sweet unfolding of a twin-track plot about passion *en travestie*, Pasdar bedding Miss W, and bewilderment in the boardroom. For our hero ends up outfacing his bigoted boss (Paul Freeman) and proving that a man can broker multi-million-dollar business deals even while wearing lipstick and high heels.

Scripted by Nick Evans from Monica Jay's true-life story *Geraldine* – Miss Jay being the model for Walters's role – the film is endearing even when it sails close to that perilous concept, British comedy. There is many a telegraphic reaction shot and many a ho-ho supporting character. But whenever he is left alone with his two stars, both superb, director Chris Monger fashions a touching tale of love's ability to ride out stupefaction.

★

Other new London openings are less auspicious. After *Blackeyes* Dennis Potter is still being allowed to operate a movie camera: result, *Secret Friends*. Alan Bates plays the walking, or sitting, identity crisis whose past life flashes before him during a British Rail journey.

Attacked by flashbacks as if by violent indigestion, he is asked by the waiter in one scene if his sole was satisfactory. "Soul?" jumps Bates – it is that kind of film – and after a brief nervous crisis he settles back into the mental jigsaw-work that occupies most of the film. His memories include two sexy women (Gina Bellman, Frances Barber), a bloody garden fork, a series of plant drawings, a mad vicar father and heaven knows what else.

When twinned with a well-trained craftsman-director, Potter's stylistic paroxysms as a writer are usually welded and streamlined into art. See *The Singing Detective* or *Dreamchild*. When twinned with a fellow dervish in the director's chair – Nicolas Roeg in *Track 29*, himself here – confusion is confounded beyond all recall.

Still, it beats *California Man*, scripted by Shawn Schepps and directed by Les Mayfield: a jokeless youth comedy from the same industry and mind-set that brought us *Wayne's World*. Here two high school boys (Sean Astin, Paul Shore) accidentally revive a deep-frozen caveman (Brendan Fraser). That the latter proves more intelligent and resourceful than most of the population of Los Angeles is supposed to be a surprise.

Less of an answer than a deepening conundrum: Daniel Schlachet in 'Swoon'

Theatre/**Alastair Macaulay**

Colquhoun and MacBryde

The tale of Colquhoun and MacBryde, as John Byrne tells it in this new play, is basically not new: two Scotsmen drink themselves through their early successes and then into their steady decline. Three ingredients make the story piquant: the two were artists; they were lovers; and their story actually happened – in living memory.

As detected at the Royal Court, both Robert Colquhoun (1914-62) and Rober MacBryde (1915-66) were robust, funny, uninhibited characters, ambitious to the degree of considerable self promotion and ultimately self-destructive. If, like myself, you knew little of them beforehand, you may be grateful for what the play tells you – especially in its first half, which ends during the Second World War – and for the way it puts them in context. David O'Hara and Ken Stott both give excellent performances, relishing at first the romping comedy, then realising sharply the helpless drunkenness that follows.

All that is on the one hand. On the other is the fact that *Colquhoun and MacBryde* is not much of a play. Written in a rapid stream of brief scenes, with Colquhoun providing intermittent commentary during early episodes, it feels like a string of "Do you remember?" anecdotes. And the anecdotes – though usually featuring only Colquhoun and MacBryde on stage – give us an outsider's view of both artists. Though the play's main interest lies in the fact that these were homosexual artists, the treatment of their love life is sketchy, that of their painting extremely vague. Psychologically, everything is always superficial. The action touches much too briefly on MacBryde's jealousy of Colquhoun, finds their ambitions entertaining but not revealing; and only hints at any connection between their self-promotiveness and their self-destructiveness.

Though they were an unusual couple, Byrne handles them very conventionally. Most scenes end with such easy punch lines that the events on stage soon seem unhistorical. The dialogue is neatly dotted with jokes and with salacious detail; Byrne works so hard to make the story an entertainment that he even has the drunken MacBryde try to get the audience to join in a song. The most intentionally riotous scene in which uninvited guests turn a quiet supper into a vulgar farce is just the drunks' version of standard custard-pie comedy. Some of the blame for this depressing slickness must go to the director, Lindsay Posner.

Everything about the depiction of the artists' gradual decline is obvious. "What are you staring at?" says MacBryde, at some point in the 1950s. Colquhoun, gazing at a huge Abstract Expressionist daub by Jackson Pollock, says, "The future." The rest of the play is endless drunk scene, with fights, recriminations, tears – all treated with wretched glibness. To bring real people to life in drama requires an effort of the imagination; and it is in precisely that department that Byrne's play falls flat.

Royal Court Theatre, until October 13.

Concert/**David Murray**

LPO Gala

Tuesday's concert by the London Philharmonic was a Gala Evening, sponsored by Mrs Jackie Rosenfeld, to inaugurate their South Bank residency. The thinking behind the programme was transparent: one popular blockbuster – Orff's *Carmina Burana* – enhanced by a strong trio of solo voices; one safe Romantic piece for an admired virtuoso – Max Bruch's G minor violin concerto with Pinchas Zukerman; one "advanced" exhibit, not too time-consuming – Webern's op. 6, his Six Pieces for Orchestra (1909) – to show loyalty to the current South Bank ideals.

It came off pretty well. We have heard more sharply etched performances of the astonishing Webern set, but Mehta synthesised some hallucinatory colours for individual pieces. It was rewarding to learn from Anthony Burton's programme-note that the second piece represents a train journey: suddenly one heard the music in a new, down-to-earth frame.

While Zukerman delivered the Bruch concerto with sovereign professionalism and a nice, unabashed indulgence in period *portamenti*, Mehta chose to provide self-effacing support. Agreeable enough; but less than a month ago, a Prom performance with more creative give-and-take between orchestra and soloist searched harder into the music, and gave it a more cogent shape.

Having successfully evaded the *Carmina Burana* for several years now, I could enjoy it this time. Yes, Orff's deliberately bald writing and his instrumental *trouvailles* make bracing effects; no, the net impression is never more than the sum of its glinting parts. Mehta paced it with a masterly hand, and the LPO's Choir gave the work everything it deserves – except properly gutsy consonants, for which nothing less than a *echt*-German chorus will do. The Southend Boys' Choir were first-rate: melting in the choirboy-range, unexpectedly forward and lusty when they dropped down to a grown-up *tessitura*.

Sumi Jo sang the brief soprano solos ravishingly, and Jochen Kowalski had been flown in just to lend his artful alto to the Roasting Swan's plaint. The plum baritone role went to Jeffrey Black, the Royal Opera's current house-Australian. If his vocal wattage began to fade before the end, he had already distinguished himself with a calculated air of macho wildness, and musical imagination far beyond the macho norm.

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS

Schauspielhaus 20.00 Marek Janowski conducts Berlin Symphony Orchestra and Ernst Senff Chorus in works by Martinu, Janacek and Schumann. Tomorrow: Pro Musica Chorus performance of Haydn's Creation (East Berlin 2090 2156)

Philharmonie 20.30 Aribert Reimann and friends in chamber music by Reimann and Krenek (in the Kammermusiksaal). Tomorrow: Alfred Brendel. Sat, Sun morning and Mon: Bernard Haitink conducts the Berlin Philharmonic Orchestra in works by Martinu, Bartok and Dvorak. Sat at 22.30 in the Kammermusiksaal: members of the Stockhausen family play a new work by Gyorgy Kurtag. Sun: Maurizio Pollini (West Berlin 2548 8232)

OPERA

Deutsche Oper Sat: Elektra with Gwyneth Jones. Sun: Rafael Frühbeck de Burgos conducts first night of Hugo de Ana's new production of Don Carlos, with Julia Varady and Giacomo Aragall (West Berlin 3410 249)

Staatsoper unter den Linden, Reiner Goldberg, Gunther von Kannen and Magdalena Hajossyova head the cast in Der Freischütz on Sat. Tiziana Fabbricini is Violetta in La traviata on Sun (East Berlin 2004 762)

Komische Oper Christine Mielitz's new production of Rienzi opens tomorrow (East Berlin 2292 555)

■ CLEVELAND

Severance Hall 20.30 Opening night of the Cleveland Orchestra's 1992-3 season: Christoph von Dohnanyi conducts works by Weber, Brahms and Beethoven, repeated tomorrow and Sat. The next two weeks' concerts are conducted by Libor Pesek, and include works by Dvorak, Janacek and Suk. Dohnanyi will conduct a concert performance of Die Walkure on Nov 4 (231 1111)

■ GHENT

FLANDERS FESTIVAL

Wolfgang Sawallisch conducts tonight's concert by the Bavarian Radio Symphony Orchestra, with works by Hindemith and Bruckner. Tomorrow and Sun: George Cleve conducts the Royal Flanders Philharmonic Orchestra. Sat: Sigiswald Kuijken conducts La Petite Bande in Cosi fan tutte. Next week: Ghent Contemporary Dance Festival. There are festival events in Ghent till Oct 13 (Tel Brussels 640 1525)

■ LEIPZIG

Gewandhaus 20.00 Rolf Reuter conducts the Gewandhaus Orchestra in works by Rossini, Haydn, Bartel and Liszt, repeated tomorrow. Sat: piano recital by Maria Joao Pires. Next Tues: Gabriel Chmura conducts Leipzig Radio Symphony Orchestra in works by Beethoven and Mahler. Oct 3-10: Gewandhaus Festival, with guest orchestras from Scotland, Russia and China (7132 280)

■ LONDON

THEATRE

● Medea: Diana Rigg as Euripides' vengeful heroine, one of the most potent and demanding roles in the classical repertoire. Till Oct 24 (Almeida 071-359 4404).

● Rosmersholm: Annie Castledine directs Francesca Annis and Corin Redgrave in Ibsen's drama of thwarted passion. Till Oct 31 (Young Vic 071-928 6363).

● Square Rounds: a new theatre piece written and directed by poet Tony Harrison, and performed almost entirely by women. Starts previewing in the Olivier tomorrow, Press night next Thurs (National Theatre 071-928 2252).

● An Inspector Calls: a revival of J B Priestley's psychological thriller, directed by Stephen Daldry. In repertory in the Lyttelton with Alan Bennett's The Madness of George III starring Nigel Hawthorne (National Theatre 071-928 2252).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC

Sadler's Wells 19.15 Opening night of Glyndebourne Touring Opera's London season with Nikolaus Lehnhoff's production of Katya Kabanova. The season also includes Le nozze di Figaro and The Rake's Progress (071-278 8916)

Covent Garden 19.30 Zubin Mehta conducts Tosca, with Elizabeth Holleque and Richard Margison (also Sat and next Tues). Tomorrow and next Wed: I Capuleti e I Montecchi. Mon: Fidelio (071-240 1066)

Coliseum 19.30 ENO production of Ariadne auf Naxos with Janice Cairns and Graeme Matheson-Bruce. Tomorrow and Tues: La forza del destino. Sat and Mon: Rigoletto. Next Thurs: revival of Jonathan Miller's production of Don Giovanni (071-836 3161)

Barbican 19.30 Michael Tilson Thomas conducts the opening concert of the LSO season: Tchaikovsky's Rococo Variations (Steven Isserlis), Prokofiev's Romeo and Juliet, and UK premiere of Colin Matthews' Hidden Variables. Sat: Pinchas Zukerman recital. Next Tues: Colin Davis conducts the ECO (071-638 8891)

Royal Festival Hall 19.30 Evgeny Svetlanov conducts the Philharmonia Orchestra in Mahler's Sixth Symphony. Tomorrow: Temirkanov conducts the RPO. Sat: Svetlanov conducts The Dream of Gerontius. Sun and next Wed: Andrew Davis conducts the BBCSO. Next Fri and Sun: Giulini conducts the Philharmonia (071-928 8800)

Purcell Room 20.00 Nash Ensemble plays chamber music by Stravinsky, Janacek, Smirnov and Petr Eben. Sun in Queen Elizabeth Hall: piano recital by Zoltan Kocsis (071-928 8800)

■ NEW YORK

Avery Fisher Hall 20.00 Kurt Masur conducts the New York Philharmonic Orchestra in Mendelssohn's Violin Concerto (Midori) and Bruckner's Ninth Symphony. Repeated tomorrow afternoon, Sat and Tues (875 5030)

Metropolitan Opera 20.00 James Levine conducts Les Contes d'Hoffmann, with Placido Domingo, Samuel Ramey and Carol Vaness (also Mon and next Fri). Tomorrow and Tues: Falstaff with Paul Plishka, Mirella Freni, Marilyn Horne and Barbara Bonney. Sat afternoon and next Thurs: Madama Butterfly.

State Theater 20.00 NY City Opera in Sigmund Romberg's operetta The Desert Song (also Sat). Tomorrow: Cav and Pag. Sun afternoon: Il barbiere di Siviglia. Next Tues: Doktor Faust (870 5570)

■ PARIS

Opéra Bastille 19.30 The new season opens tonight with Theodor Guschlbauer conducting a revival of Le nozze di Figaro, with a cast including Gilles Cachemaille, Marie McLaughlin and Diana Montague. Five further performances till Oct 10. The first new production of the season is Honegger's Jeanne d'Arc au bucher opening on Oct 9 (4473 1300)

■ PRAGUE

CONCERTS

Today's events include a concert of baroque music given by Pro Arte Antiqua Nova in the Basilica of St George and an all-Vivaldi programme in the Rudolfinum. Tomorrow in the Estates Theatre, Martin Haselbock directs the Wiener Akademie in a Weber and Beethoven programme. Jirina Markova gives a song recital on Sat in the Monastery of St Agnes.

OPERA

The National Theatre has La bohème tonight and tomorrow, Rusalka on Sun and Katya Kabanova next Wed. The Estates Theatre has Le nozze di Figaro on Mon and Tues. The Prague State Opera (formerly Smetana Theatre) has performances every day except Mon, with repertory currently including Swan Lake, Cosi fan tutte, Ambroise Thomas' Mignon and a Zemlinsky double bill.

● For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714) and theatre box offices.

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly in-depth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday September 24 1992

A time for leadership

UNSURPRISINGLY, in the light of the events of the past eight days, the prime minister has lost much of his authority. His credibility is near to zero. He put his shirt on Britain's permanent adherence to a particular parity with the D-Mark, and lost. He staked his good name on steadfast adherence to the Maastricht treaty, and saw his stake swept away. He gambled on a carefully nurtured friendship with the German chancellor, and was disillusioned. Now it is asked of Mr John Major that he rise above these disappointments.

It is a great deal to expect of any individual. The debate in the House of Commons this afternoon is ostensibly about the future of Britain and Europe, but there is a possibility that it will degenerate into a slanging match about the fitness for office of the prime minister and his party. Labour will have to show self-restraint if it is not to initiate such a contest. It is, however, open to Mr Major to set the tone for a serious assessment at a time of genuine national concern. To achieve this, he must indicate that he is no longer befuddled by the hour-to-hour tactics that have characterised so much of what the government has done over the past week.

What is not required is a rehearsal of the by now familiar catalogue of explanations and excuses for the devaluation of the pound. It would be particularly destructive to add to the heaped-up pile of doubts about the position of Britain within any exchange rate mechanism, however strengthened, or any version of the Maastricht treaty, however revised. A U-turn switching the Conservative party away from being the "party of Europe" towards the narrow nationalism that so ill-fitted Labour before 1983 would be a humiliation for the Tories and a disaster for Britain.

Much will depend upon nuance. The existing Maastricht treaty has no future, but the process of amending it can be either constructive or destructive. Britain should be a friendly participant in the discussions among the 12. It is one thing to wait a few weeks for the Danes to declare their hand; it is quite another to indicate that Britain will not attempt to ratify Maastricht-as-amended until a second Danish referendum has come back with a positive vote. It makes sense to link the ERM and Maastricht, but it is perfidious to suggest that assent to the latter can only follow the elimination of the "fault lines" in the former.

Much more will depend upon tone. "Overall," Mr Major might say, as he did on September 7, "the treaty is good for Britain and good for Europe." He could add that "what lies at the heart of the community ... is the notion that by binding together the nations of Europe in a common economic framework it would be possible to build an inextricable network of shared interests that would render war between former enemies impossible."

This would be better than chants about the franc's current difficulties. It would challenge Mr John Smith, the Labour leader, to live up to his solidly pro-European stance. It would not create hostages to fortune against the day when Britain once again participates wholeheartedly in European affairs. Such a speech would begin the process of rehabilitation of the prime minister. Anything less would not.

The franc at bay

THE BATTLE for the preservation of the parity of the French franc is not just a fight to preserve French monetary policy. Nor is it merely about the survival of an ERM without exchange controls. It is about the fate of the Franco-German relationship, the heart of the European Community.

Fresh from having made large fortunes by speculating against the Italian lira and the pound sterling, investors are testing the French franc's parity to destruction. But the French and the Germans can defeat the speculation. They should use their powers without stint.

French Finance Minister Michel Sapin has insisted that the attack on the franc is unwarranted by the fundamentals. He has received strong support for this view from the Bundesbank and the German finance minister, Mr Theo Waigel. If one ignores purely cyclical differences between Germany and France, the view is correct. Thus whether or not this parity can be held will show whether *any* fixed exchange rate regime, short of monetary union, can be preserved among larger European countries.

The cyclical economic divergence is important, however, in explaining current pressure. Given the high level of unemployment in France, the unpopularity of the Socialist government and the tiny majority in favour of the Maastricht treaty, investors wonder whether the French authorities will be willing to pay the price that may be needed to preserve the parity. The announcement that German broad money grew at an annual rate of 9 per cent between the last quarter of 1991 and August 1992 further increased the doubts, since it suggests that any early easing of German monetary policy is unlikely.

French tactics can be faulted. Mr Sapin may, for example, have made an important, if understandable, mistake when he suggested last week that a French interest rate cut was merely being postponed until after the referendum. Perhaps the French authorities should have raised interest rates sooner. Yesterday's 2½ percentage point increase in the French emergency lending rate and the overnight rates of 30 per cent may also be insufficient.

Yet tactics are not everything. What matters in the end is the determination to ensure that – cost what it may – those who buy the French franc will be enriched and those who speculate against it will be impoverished.

The French can do most of what is needed for themselves. But at this critical juncture, they also need German help. The French have dedicated themselves, over almost a decade, to making their country "Bundesbankable". The Bundesbank should return the compliment.

German rates of interest should, if necessary, be cut. Once the fingers of the speculators have been burned, they can be raised once more. This is not a choice which the Bundesbank will want to make, caught as it is between the goal of German monetary stability and that of sustaining the parity between the D-Mark and the French franc. But it should now treat European monetary stability as, to an extent, a Franco-German effort. If the Bundesbank does not show the needed flexibility, it will still rule the European monetary roost, but it is likely to do so in uncomfortable isolation.

Nuclear dumping

A NEW international treaty on sea pollution, signed this week in Paris, was right to extend the present ban on dumping radioactive waste for 15 years. But it was also right to resist calls for a permanent ban. The treaty commits the 12 countries bordering the north-east Atlantic to reduce and eventually eliminate the dumping of a wide range of toxic materials.

The most controversial point was that Britain and France insisted on retaining the right to dump low and medium-level radioactive waste in the sea. Alone among the north-east Atlantic countries, they have nuclear submarines and power stations that must be decommissioned in the next two decades.

Under the compromise agreed, Britain and France will continue to weigh up land-based alternatives, reporting every two years to their co-signatories, and will fund expensive research into the impact if they consider dumping again after 2007.

This is a sensible approach, though not because such studies will give a conclusive answer. It is impossible to prove that there will never be damage to marine life even when the waste is dumped in a three-mile deep trench 400 miles from shore, although Britain and France have many scientists on their side in arguing that the effects could be very small.

But those studies will increase the currently inadequate levels of marine research and help focus attention on the dangers and costs of keeping the decaying hulks on land and the risks to the people who must dismantle and store them. In short, it will help achieve what Paris failed to do this week – to set the risks of radioactive waste in the context of other kinds of pollution.

Top of that list is the discharge of industrial waste into rivers and estuaries. Environmental groups have called steadily for better studies of the effects.

The new treaty has also left unclear some of the obligations on countries and companies to publish information. The Ministry of Defence has claimed recently that under sovereign immunity it did not have to disclose its munitions dumping, and that clause persists in the new agreement. The treaty's fine print is open to interpretation on such points. It should always be interpreted in favour of full disclosure.

ECONOMIC VIEWPOINT

Anatomy of the UK defeat

By Samuel Brittan

The outcome of the battle for the French franc will shed light on the humiliating British departure from the European exchange rate mechanism. It will, for instance, suggest whether the main fault lines were in the mechanism or in the people operating it.

If the franc is upheld at its previously established parity against the D-Mark, it will be a sign that the "hard ERM" has some durability. If the ERM continues to exist, but with a lower parity for the franc, it will show that the hopes of a hard ERM were premature and that the mechanism is best operated as a system of fixed but adjustable bands.

Suppose on the other hand that France, Germany and their smaller neighbours react as Karl Otto Pöhl has advocated, by establishing a currency union "not in 1997 or 1999 but in the near future". Then the moral is that the ERM has been a highly useful transitional system, but no more.

Only if the ERM collapses with nothing in its place will the Euro-sceptics be able to say that it was the system rather than the people operating it that had been flawed. Even then it was of great help in reducing British inflation.

As far as the UK is concerned, I had always told my friends that I would be left arguing for the ERM policy after the government had abandoned it – as with every other policy I had ever supported. Then I made the fatal error on July 24 of

The UK's unfortunate phrase was: 'We were overachieving against inflation'

writing, on the basis of speeches such as the one cited here, that the ERM policy would not be changed while John Major and Norman Lamont remained at their present posts.

I do not doubt the chancellor's sincerity in delivering this and similar speeches. After all these years I did not allow sufficiently for politicians using words differently to the way other people use them. What did subsequently enrage me was Norman Lamont's treatment of defeat as if it were a victory and the new spring in his step as he beat a tin patriotic drum announcing a "British policy in British interests".

How did we get here? By Wednesday, September 16, it was clear to the inner cabinet that the 2 point increase in base rates to 12 per cent, belatedly introduced in mid-morning, had not stemmed the torrent of speculation against sterling. The 15 per cent rate later in the day was just a panic reflex and caused not a flicker of market interest.

The inner cabinet that morning was presented with three options:

- A huge increase in overnight rates on the Swedish model (but not alas of Swedish dimensions) to deter speculators before the French *referendum the following Sunday*.
- A temporary suspension of ERM membership until after the French referendum. This was the course followed by Italy which still talks of the earliest possible return.
- Indefinite withdrawal from the ERM.

The third course was chosen after a sum equivalent to more than half the UK's £20bn of reserves had been vainly expended. Not altogether with hindsight, I would have preferred a combination of the first two, much earlier on.

Why was the first course not taken? Partly because the Bank of England could not guarantee that it would succeed. And partly because the increase would have spilled over for a time into shock horror base rates and mortgage rates.

The reasons for rejecting the second course are not so convincing. A re-entry would have had to be at a lower parity; but at least the UK would still have been in the ERM. It took France eight years after joining as a founder-member in 1979 before it could set its face against parity changes.

The vital background was the official view that UK interest rates were too high on domestic grounds – "we were overachieving in the battle against inflation" was the unfortunate phrase used by the British in Washington. There was, therefore, no stomach for rejoining at a new parity with perhaps weakened credibility and interest rates *still related to the German ones.*

But how had events come to such a pass? The official explanation is that the force of the speculative gale was totally unexpected and unprecedented. I have always heard this said and never fail to be astonished. Whenever I have been asked about the likely size of the next sterling crisis, under many different currency regimes, I have always said: "Think of the worst number you can and multiply by 100."

Another excuse was that this was the first time that speculators were presented with a single day well in advance – that of the French referendum – on which to expect parity changes. This cuts both ways. Previous sterling crises have blown up unexpectedly after events such as a Middle Eastern war or a British strike. This time, the government had months in which to prepare.

A further explanation is that the pound might have been held had not the Bundesbank president, Helmut Schlesinger, given the Handelsblatt an interview on September 15 calling for a wider realignment than just the lira.

In fact, the Bundesbank was pushing for an ERM realignment well before Britain joined in October 1990. After that, everyone from the president down to the humblest staff economist made it clear he thought that the UK had entered at the wrong time and at the wrong parity rate. While Bundesbank pressure for a franc realignment gradually waned, disbelief in sterling's parity increased.

I am told that these sentiments were not expressed face to face to the chancellor or the governors of the Bank of England. But that is no excuse for their not taking on board what was common knowledge. I could not take a holiday anywhere in central Europe without hearing the sterling parity being attacked by the time we came to the coffee and schnapps.

I did not pretend to agree. But the Bundesbank economists have straightforward, unreconstructed mainstream views. They judge the sterling parity by the British trade figures and the fact that even in recession Britain's headline inflation is still slightly higher than Germany's. There was little chance of the Bundesbank's view being overthrown when it was shared by the vast majority of British commentators, from professors of econometrics to teenage dealers. It cannot be said that the one or two anti-devaluation studies that the Treasury did us a favour in publishing and at which the Bank merely darkly hinted, were of the same calibre as the better pro-devaluation analyses.

Of course it was not statistics or articles which undermined the market's belief in sterling, but the view – perfectly justified in the event – that ministers were bluffing and

Everywhere in central Europe I heard sterling attacked before the schnapps

would not be prepared to do whatever necessary to defend sterling in the face of a severe and prolonged recession. I should have noticed the fatal signs when base rates were not raised in July when the ERM divergence indicator for sterling passed minus 75 per cent, pointing to a presumption in favour of a base rate increase, as well as of pro-sterling intervention by others.

The case for a system with the D-Mark as an anchor was immensely strong throughout the 1980s up to German reunification – which is just when Lady Thatcher was able to veto British membership. I realised that something would have to give last December when the Bundesbank raised interest rates, while outside the Community they were being cut to counter recession. But I did not think aloud because it was overwhelmingly important for Britain to remain in the ERM at the entry parity as long as possible if there was to be a chance of breaking inflationary psychology, and improving economic prospects in the 1990s. My hope was that if only we could get past the French referendum, eventually German interest rates would start to *fall*, as recessionary forces in Germany gathered momentum. I had other ideas in reserve.

These are now pipe dreams. But so are the ideas of the motley coalition of right-wing Tory backbenchers and left-wing commentators who believe that there is something called "going for growth" which the government can achieve by the old American slogan of "Cheap money and plenty of it". In one way or another – I hope not too painfully – the exchange rate will regain its place at the centre of macroeconomic policy.

Effects of leaving ERM and cutting interest rates

"THERE are those who think we should slash interest rates, cut loose from the ERM all together, and let the pound find its own level.

"It sounds simple. After all, the US floats its currency; why shouldn't we do so too? But there is, of course, a very significant difference. The British economy is far more dependent on international trade. More than a third of our national output is exported, compared to just a tenth for the US. For Britain the threat of imported inflation is very real.

"Many who advocate floating know full well what the consequences would be. They intend a devaluation of the pound. And they would certainly achieve it. For the result of leaving the ERM, combined with large cuts in interest rates, would be a fall in the pound probably unprecedented in the past 40 years. It's the cut and run option: cut interest rates and a run on the pound.

"Whatever the position may be for other countries, we know from bitter experience that devaluation doesn't work for Britain. If depreciating the currency solved anything, Britain would already have been one of the most successful economies in the world. In 1966 the pound was worth – amazingly – more than DM 11. But the devaluations of the past yielded not booming exports but rather a steadily falling share of world markets.

"Contrast that with the export successes of the strong currency, low-inflation countries like Germany and Japan. They have shown that the way to success is to adjust your costs to your exchange rate, not the other way around.

"The stark reality is that outside the ERM, we would still have to compete with the ERM countries. Some, like Germany and France, which already have low inflation and others like Spain, whose ERM membership is helping bring inflation down. And our initial gain in competitiveness would soon be eroded as imports soared and pay deals rose. That would do British industry no good at all.

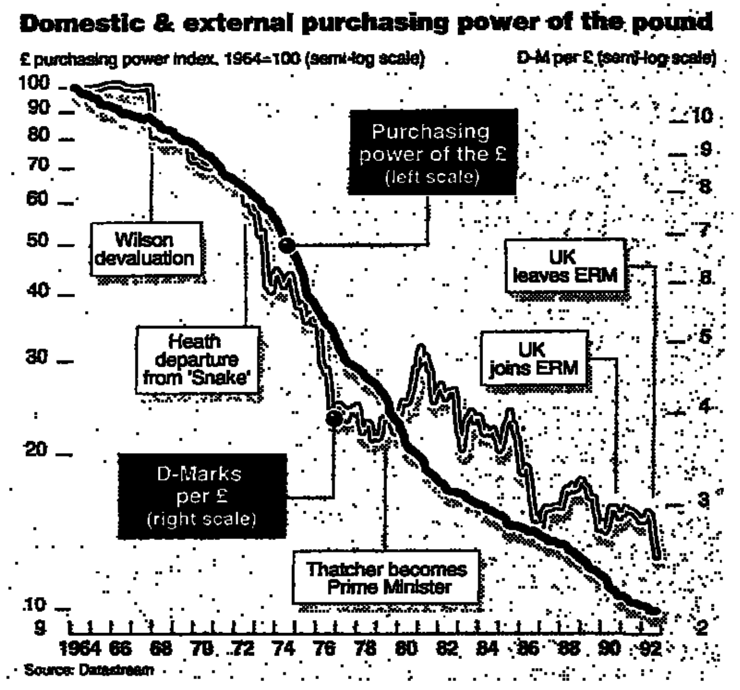
"*Markets should see that, unlike* all our major European competitors, Britain lacked the will to pursue the goal of permanently low inflation. And they would be right. We would have given up after less than two years. They would conclude that we were back to our bad old ways; that given the chance we would always delude ourselves by thinking that with a

little more inflation we could get a little more growth.

"*The credibility of our* anti-inflationary strategy with businesses and employers would be in tatters. It would certainly be the *end of the battle with inflation* – we would have surrendered. And quite soon interest rates would have to go back up again – to much higher levels than they are today."

Norman Lamont's speech to European Policy Forum, July 10 1992

Domestic & external purchasing power of the pound



Source: Datastream

BOOK REVIEW

Tomes of endearment

"Tuesday 3 June 1980: The Daily Mail had the headline, 'Centre Party to be formed on Monday', claiming that Roy Jenkins was going to resign as president of the European Commission within a month and return to British politics. I think it is unlikely."

TONY BENN: THE END OF AN ERA, DIARIES 1980-90
By Tony Benn
Hutchinson £25, 687 pages

Thus begins the fifth and final volume of the diaries of Tony Benn. As so often, Benn had it wrong. Jenkins did return, and his role in the formation of the Social Democratic party and the alliance with the Liberals was seminal in British politics for much of the 1980s. It was a challenge to Mrs Thatcher, who withstood it, and it had a devastating effect on the fortunes of the already crumbling Labour party.

Still, we should not judge Benn as a forecaster, but more as a chronicler of the times or, more accurately, the times as he saw them. As he puts it in a diary entry during February 1981: "I do not leak. I am a diarist. I am the Hansard of the party."

To the general reader, this volume will seem less riveting than its predecessors. The reason is simple. After Benn's narrow defeat in his challenge to Denis Healey for the deputy leadership of the Labour party in 1981 – a contest that was electric at the time and occupies much of the first 150 pages – he became increasingly out of touch with mainstream politics, even in his own party.

Those who have followed the diaries so far, however, will delight in this coda. It reveals a great deal about the man. Perhaps in the end he will go down as a rather charming English eccentric, and not the wrecker that he sometimes seemed. His principal characteristic was that he was a late developer.

Benn appears never to have gone into a library with an open mind. He relied on books sent to him by his admirers, such as the professor of politics, Ralph Miliband. He seems to have discovered the French revolution only in the 1980s, so much so that there are several references to it in these diaries and he even notes its 200th anniversary.

He also picked up fashions rather *than set them. Long after* most of the educated public must have realised that there was a women's movement, Benn hears about it from the (then) communist, Bea Campbell, and recalls that he has heard something before from his daughter, Melissa.

He must have picked up vegetarianism in much the same way. In Dundee in 1982, he notes: "We went for a meal with the Lord Provost. I didn't eat the gammon steak – I should say that Caroline (his wife) and I gave up eating meat about 18 months ago – just the chips, the peas and the pineapple ring."

Benn's taste in politicians is equally revealing. He came to distrust Michael Foot later on because of Foot's alleged move to the right. Neil Kinnock he disliked and distrusted from the start. When Kinnock introduced the pink rose as the party symbol, Benn wrote his own words to The Red Flag: "The people's rose in shades of pinks/ Gets up my nostrils and it stinks."

He could not stand Edward Kennedy, who reminded him of Roy Jenkins. He thought that Stuart Holland, once a young ambitious Labour MP on the left, would make a better foreign secretary than David Owen. He was not entirely disrespectful of Roy Hattersley.

It was the Tory individuals he preferred – Margaret Thatcher, of course, because she put her own stamp on the Tory party just as he would have liked to have done to the Labour party. He learned and approved of how she did it from the young William Waldegrave. There were others: Geoffrey Howe, Julian Amery and Enoch Powell are all commended in different ways. Of Powell, he notes: "Although Enoch *is a nationalist* and I am an *internationalist*, there is a sort of commonality of interest between us." Michael Heseltine, on the other hand, reminded him of Kinnock.

Keith Joseph was a favourite. *Once they met on the railway platform* at Bristol, "got into an empty first-class compartment and talked all the way back to London". At Paddington the engine driver called out: "I wish I could get a picture of you two buggers for the newspapers."

The eternal boy scout had his endearing traits. When he lost his seat in parliament and had to pay for his own mail, Benn, the former postmaster general, was astonished by the "astronomic" cost of postage stamps. The former minister of technology puts a hammer through the bowl while trying to mend the lavatory seat. And the man who wanted to transform society admits: "I just can't cope with financial matters."

Nevertheless, he tells it all and all five volumes have been wonderfully edited by Ruth Winstone. Towards the end, there is a prophetic gem: "9 March 1989 – William Cash, a young right-wing Tory MP, told me that the Tory party was on the point of splitting over the federalisation of the Common Market ... the issue would realign British politics in a way comparable to the alliance of John Bright and Disraeli at the time of 1867 Reform Bill. This," Benn comments, "was music to my ears."

Malcolm Rutherford

Out of the flying pan and into the fire

BAe's long-awaited restructuring plan has shaken rather than restored confidence in the company, says Paul Betts

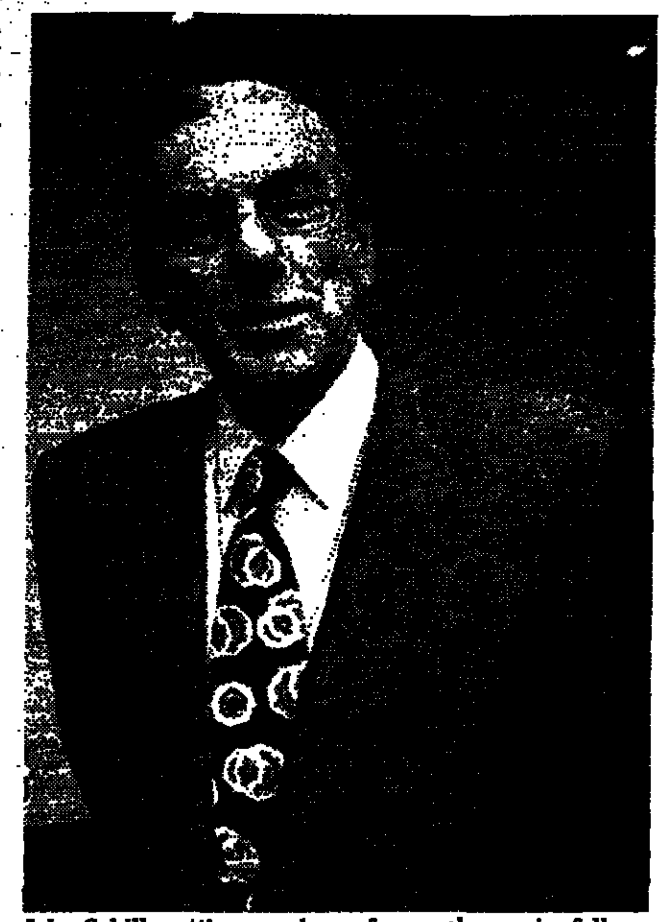
Mr John Cahill, British Aerospace's chairman, clearly felt misunderstood yesterday when his company's shares fell out of the sky.

His long-awaited announcement of a sweeping restructuring programme at BAe to stop the financial haemorrhaging at Britain's biggest manufacturing company was supposed to restore some confidence. The reality, however, was starkly different.

The City of London was unimpressed by the package and remains unconvinced that Mr Cahill and his top management team have found the key to secure the company's future.

Mr Cahill, however, put on a brave face. He said he had bought his shares in the company at 357p. "I'm going to hang on and buy some more," he added, as the share price fell 43 per cent to close yesterday at 113p.

The shares have been in free fall since BAe became engulfed in a management crisis and launched a controversial £432m rights issue a year ago. Mr Cahill was brought in as chairman last May to oversee a new strategy for the group and its activities, which range from defence and commercial aircraft to Rover cars and property.



John Cahill: putting on a brave face as share price falls

But the steps announced by Mr Cahill yesterday – including a £750m write-off for the restructuring costs of the company's loss-making regional jet business; the closure of the Hatfield aircraft manufacturing plant; the loss of another 3,000 jobs; a preliminary agreement to form a regional jet joint venture with Taiwan Aerospace; and the concentration of turbopropeller aircraft production at Prestwick in Scotland – failed to lift the question-marks still hanging over the future of BAe.

Put simply, the fundamental problems facing BAe have not changed in the past 12 months. If anything, they have become worse, judging by the pre-tax loss of £129m the company reported for the first six months of this year compared with a profit of £86m in the first half of last year.

The recession and defence spending cuts have put all of the company's business activities under increasing pressure. Defence continues to be the main profit centre with £296m profits in the first half on sales of £2bn. But the question is whether this profitability can be maintained in the longer term in a declining market.

BAe hopes to win another big order for military aircraft from Saudi Arabia soon to help underpin its defence business.

But it also faces growing doubts over the future of the European Fighter Aircraft in which it is the main UK partner. Mr Dick Evans, BAe's chief executive, suggested yesterday that BAe could "go it alone" on EFA if the Germans and the other European partners in the project, Italy and Spain, pulled out. However, many in the industry believe any future combat aircraft project is unlikely to fly without international collaboration.

The recession and defence spending cuts have put all of the company's activities under increasing pressure

In contrast to the profitable defence business, BAe's commercial aircraft activities have become a financial black hole. "For every one pound made by the military division, the civil aircraft division loses 96p," the company says. The commercial aircraft operations lost £286m in the first half of this year compared with a loss of £32m the previous year.

The losses have largely come from BAe's regional and commuter aircraft activities. Although it lost £4m on its activities in the European Airbus programme in the first half, BAe sees its 20 per cent participation in Airbus as one of its most promising long-term assets now that Airbus has captured 30 per cent of the market for large airliners.

Mr Cahill's first big move has been to tackle BAe's regional airline activities. The company considered many options, including shutting down the entire regional aircraft operations, maintaining the status quo, or seeking a joint venture partner.

By taking a £750m write-off to cover its regional jet operations, BAe has prepared itself for the worst. But it still hopes to remain an important player in the regional jet market by forging a joint venture partnership with Taiwan Aerospace. Such a partnership could help BAe challenge the European regional aircraft consortium now being put together by Deutsche Aerospace of Germany and Fokker of the Netherlands.

BAe appears optimistic it will complete its Taiwan deal by the end of this year. This would see the two partners investing $250m each in the venture to build the family of BAe 146 regional jets launched by the company earlier this year.

But the regional aircraft market continues to suffer from acute overcapacity and competition is likely to remain intense. The deal struck with Taiwan is still no more than an agreement in principle. The US McDonnell Douglas company negotiated a similar deal with Taiwan Aerospace last year which has so far produced no concrete results.

The decision to concentrate all BAe's turbopropeller aircraft activities at Prestwick is designed to improve the productivity of these loss-making operations. In the longer term, BAe may also be forced to seek a partner to strengthen these activities.

It tried to do so with its corporate jets when it announced in May that a majority stake in this business was up for sale. Yesterday BAe confirmed it would retain this activity. The fact the company failed to find a buyer prepared to make a sufficiently attractive offer for its corporate jet division did little to improve City sentiments.

The Rover car activities continue to be plagued by the depressed state of the UK market, and there are few signs of recovery. Rover, which reduced its first-half losses to £31m from £43m last year, has been turned into a much more efficient manufacturer during the past two years, helped by its partnership with Honda of Japan. The immediate issue is whether the UK car market can recover to the point where Rover can start to make money.

BAe also expects its property assets, totalling about 13,000 acres of prime sites in the UK, to generate cash when recovery occurs. Although they are both struggling, Rover and the property business appear far less of an immediate problem for BAe than its debacle in the commercial aircraft sector.

Mr Cahill and his team believe they have now taken a significant step towards resolving the company's commercial aircraft difficulties. The joint venture with Taiwan would protect jobs in the UK and ensure the country's presence in the regional jet market, Mr Cahill said, adding that his strategy was "evolutionary rather than revolutionary".

By its reaction yesterday, the market was looking for revolution. One could soon be in the offing. With its share price plunging, the City was again rife with rumours of a possible GEC bid for BAe.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Reality of being out of ERM

From Lord Cobbold.

Sir, It is naive for anyone to assume that we can copy the US and reduce interest rates to low single figures and let the currency float down. The US economy has only a 10 per cent exposure to external markets. Britain's is over 40 per cent. Apart from the inflationary implications, it would be an aggressive act of competitive devaluation that would jeopardise our trading relationships and particularly our participation in the single market.

Can Britain expect its European partners to welcome a flood of cut-price Nissan cars from Sunderland next year?

The devaluation that has already taken place provides ample short-term stimulus to the economy. The government must quickly define a new exchange rate target and re-establish its credibility. The best way of doing that is to rejoin the ERM at the earliest opportunity.

Why the authorities allowed the foreign exchange market to pick off the currencies one by one, instead of acknowledging earlier that the unexpectedly high cost of absorbing east Germany was legitimate justification for a general realignment, remains a mystery. The ERM is, after all, designed as a fixed but adjustable system. Its purpose is to pave the way to a single currency.

If we had had a single currency in Europe, monetary pressures would have been more evenly spread and last week's crisis would not have happened. Reality will inevitably require management of the exchange rate *vis a vis* the D-Mark and a higher risk premium, meaning higher interest rates, will apply if we are outside the ERM. We will not escape the Bundesbank by opting out.

John Major has to recover the initiative in Europe while he is president of the Council. It will require great courage but he should use the events of last week as justification for accelerating the establishment of a monetary institution that is responsive to the monetary needs of Europe as a whole and not just to the perceived needs of one member country.

Lord Cobbold,
managing director,
Gaiacorp UK,
7 Adam Street,
London WC2N 6AA

Training delay bad for unemployed

From Mr John Farago.

Sir, The government wants employment training to be more tightly restricted to people who have been unemployed for more than six months ("Training obligation for jobless ruled out", September 23). But common sense, research evidence and good "outplacement" practice indicates that help, guidance and re-training are most needed and most effective immediately after or even before the impact of unemployment. The damage to individuals and the economy of this delay must outweigh any saving of public expenditure.

It is like the ambulance service restricting service to those accident victims who have not walked away or found other help for more than six hours. Now, there's a thought for the Treasury!

John Farago,
121 Church Road,
Wimbledon,
London SW19 5AH

Smoothing in the short term, but long term?

From Mr Stewart Vaughan.

Sir, At the beginning of 1979 the pound was worth about FFr8.50. The French franc joined the EMS and, for most of the next 14 years, the pound stayed out. Today, the pound is again worth about FFr8.50. Both currencies have, therefore, in the long term, lost a similar amount against the D-Mark, one within the EMS and one, mainly, outside.

The question cannot be avoided: apart from smoothing out short-term fluctuations, how can it be held that membership of the EMS preserves exchange rate parities?

Stewart Vaughan,
95 Avenue de la Republique,
75011 Paris,
France

First with computer fax system

From Mr Peter Burton.

Sir, Your very interesting article (Technology, September 22) about a machine that can send the contents of a personal computer floppy disc over the phone gives the credit for this technique to the Japanese.

In fact, the first machine of this kind in the world (as far as we can discover) was designed in Britain and launched on the UK and European markets as the "Diskfax" nearly two years ago by our company. It now has a substantial base of users in large corporations and in niche markets such as desk-top publishing and computer-aided design.

Not only did the British Diskfax pre-date the Japanese device but it has a substantially higher performance. By using a novel transmission method, it can send discs virtually error-free over ordinary telephone lines. Its users do not need to have access to an integrated services digital network (ISDN). It can also operate unattended, just like a fax machine, and can share a single phone line with a fax machine.

We hope that in making these points our letter will demonstrate that not all innovative electronic products originate in Japan.

Peter Burton,
chairman,
Alfa Systems,
32-66 Stratford High Street,
London E15 2PD

Singapore aims to maintain competitiveness in face of western recession

From Mr Abdul Aziz Mahmood.

Sir, Your article "Growth falls give Singapore an attack of economic angst" (September 16) is misinformed.

Singaporeans do not "watch as their old rival, Hong Kong, continues to grow rapidly". Each year since 1988 Singapore has achieved higher growth and lower inflation than Hong Kong. This year Hong Kong expects growth of 5 per cent, the same as Singapore.

The construction boom is due to the private sector rather than the government – the share of public sector projects fell from 80 per cent in 1987 to 48 per cent this year. The government is not pump-priming the economy "by pouring money into the construction sector"; in fact it is considering postponing some of its projects until the industry cools down.

Manufacturing output does not "continue to fall". While the sector contracted in the first half of 1992 (-0.4 per cent), it is now expanding, and full-year growth should be 2 per cent.

Being a small open economy, Singapore never believed it could "escape the effects of the recession in the west". Hence, its emphasis on maintaining competitiveness.

The strong exchange rate reflects investor confidence and has kept inflation low. Transportation, telecommunications and other business costs have remained stable. Wages have risen faster than productivity, but no more than in other newly industrialised economies.

Measured against them our overall relative competitiveness is at the same level as in 1986.

Commentating on the Singapore economy is not at all hazardous, but anyone leaking or receiving confidential official data does so at his own risk. GDP growth estimates are classified secret until they are properly released, because they are price sensitive information.

Journalists or financial analysts who obtain or use them without authorisation will be dealt with according to the law.

Abdul Aziz Mahmood,
High Commissioner,
Singapore High Commission,
9 Wilton Crescent,
London SW1X 8SA

OBSERVER

A trouble aired...

■ Don't talk of the "flight from the lira" to the Bank of Italy's 71-year-old governor Carlo Azeglio Ciampi. On top of the thankless task of defending the national currency, he has been having ups and downs with airlines too.

For instance, the aircraft taking him to last weekend's IMF meeting in Washington returned to Rome with a fault an hour after take-off – which may explain a certain change in his demeanour when he finally arrived.

Normally extraordinarily reserved in public, he began airing his feelings about such things as the behaviour of Italy's European Community partners on the fateful weekend of September 12, which led to the lira devaluation and currency-market chaos.

While admitting his country's failure to put its financial house in order, he plainly deplores other EC governments' unwillingness to devalue in concert, even though a number knew their currencies needed adjusting.

If the principle of a general realignment had been followed there and then, he said, "the Germans would have certainly lowered their interest rates further". The British shouldn't need telling who were the main culprits he had in mind.

Whether his communicative mode will continue can only remain to be seen. But the omens seem good. His flight home for urgent appointments yesterday was two hours late.

Cut back

■ The French government's vows to head off the currency speculators took on a sharper tone with finance minister Michel Sapin's radio broadcast following the hoist in the short-term repurchase rates.

Although he described the object – to hit speculators "where it hurts: in their pockets" – as a "civilised" measure, there was nostalgia in his voice as he commented: "During the revolution, such people were known as *agioteurs* and they were beheaded."

As it happens, he does not have all that far to look back. France did not officially abolish capital punishment until 1981, and the last use of the guillotine was on a murderer only four years before. Alas, the name of the last speculator to get the chop remains a mystery.

Equity hangover

■ What's to be read into the fact that Chicago's financial wizards are holding their London information meeting for the new FT-SE 100 share index futures in a City brewery today, whereas next week's bash in New York will be held in the Downtown Athletic Club?

Ore no more

■ Bang goes another little piece of history. Sweden's 10 öre coin is to be taken out of circulation next Thursday, the authorities having finally deemed it no longer worth keeping.

While it still represents slightly more than Britain's 1p, decades of inflation have reconciled even sentimental Swedes to the disappearance of the tiny coins, which must be swapped for krona by the end of the year. Indeed, it's not uncommon for 10 öre pieces to be left lying on the ground, simply because the people who've accidentally dropped them can't be bothered to pick them up.

'Sod industry – let's play with sterling'

But given the national abhorrence of waste, at least in principle, the citizenry will be reassured by the promise that good use will be found for the estimated £21m worth of öre due for withdrawal. The coins are to be sold off for melting down into scrap metal.

Unusual move

■ Saudi Arabia's celebrations of the 60th anniversary of a unified state put a modern gloss on the old adage, *plus ça change*. A blitz of publicity material mailed to supposedly influential Brits rejoices under the slogan: "Sixty years of progress, without change."

Riyadh watchers eagerly awaiting news of King Fahd's next move towards constitutional reform, take note.

Becalmed

■ What is going on at Sir Nigel Broackes' Trafalgar House? The shares of the embattled conglomerate slipped to 50p yesterday – capitalising the group at around £250m – and Lord Matthews, Sir Nigel's old partner, tells me that he is as puzzled as everybody else at the decline of his old employer.

It is almost 10 years since he and Trafalgar's newspaper interests were spun off, yet he retains as lively an interest as ever in the affairs of the conglomerate. "If the business is going to continue, then the shares are a ridiculous price," he tells Observer from his farm in Jersey. However, what worries him is that he has seen no sign of Trafalgar's directors buying shares at current depressed levels.

According to Directus, the Edinburgh-based firm which monitors directors' share dealings, it is 9 months since Trafalgar's directors bought shares at levels more than double the current price. Sir Nigel and his family sold a chunk in May, at around 133p, and since then nothing. Lord Matthews says this makes him "very cautious".

The company, which normally reports its full year figures in December, is not yet in its close season which would prevent directors' dealing.

One possible explanation is that the directors know of some potentially price-sensitive deal – such as a large asset sale – which prevents them underscoring their confidence in the business by topping up their stakes.

The Max factor

■ And what is the name of the site 400 miles off Cornwall where Britain's Defence Ministry has been slated for dumping all its old bullets, bombs and hand grenades?

The Maxwell Fracture zone – named after the distinguished Scottish scientist, as opposed to the late scientific publisher of like name.

FINANCIAL TIMES
Thursday September 24 1992

Decision on rejoining race for the White House could come next week

Perot ponders reviving campaign

By Jurek Martin in Washington

MR ROSS PEROT may decide next week whether or not to revive his abandoned campaign for the US presidency and, if so, on what basis.

The Texas billionaire, who on Tuesday said he made a mistake in withdrawing in July, has tentatively scheduled a meeting next week with the state heads of his volunteer movement. He says he will take their advice and several of them have publicly urged him to get back into the race.

On Tuesday Mr Perot had private meetings with Mr James Baker, who runs President George Bush's campaign, and Mr Ron Brown, chairman of the *Democratic National Committee*. No report of either meeting has been forthcoming.

Perhaps the best insight into Mr Perot's thinking was provided in an interview yesterday given to the Washington Post by Mr James Squires, the former Chicago newspaper editor who served as press secretary to the earlier effort and who is still on the Perot payroll.

Mr Squires, saying he had spoken to Mr Perot several times over the weekend, repeated that Mr Perot wanted to continue to put pressure on Mr Bush and Mr Bill Clinton, the Democratic presidential candidate, to come up with credible plans to cut the budget deficit.

He added: "I don't think there is a chance in hell that Ross Perot could ever endorse George Bush." He could support Mr Clinton if the Democrat adopted some *of his budget-cutting ideas*, and he could launch a limited campaign, confining himself to states such as Texas and Florida "just to help Clinton", in Mr Squires's opinion. Mr Perot repeatedly insists he does not want to re-enter the race as "a spoiler" and denies what many suspect, that this renewed teasing of the political process is mostly designed to satisfy his own massive ego.

Opinions are divided over the impact of his possible return. It might initially hurt Mr Clinton, because he was the principal beneficiary of the July withdrawal, but the *hard core Perot support* is indisputably mostly Republican.

In Florida and Texas, it could work to Mr Clinton's favour, though in the industrial midwest, now leaning Democratic, it might cut the other way; in California, where Mr Perot was popular, Mr Clinton now seems too far ahead to be threatened.

If he gets back in the race, Mr Perot will presumably claim a place at the candidate debates, assuming at least one takes place. The Clinton and Bush campaigns continued yesterday to accuse the other of conspiring to prevent this confrontation, but if Mr Clinton's lead – 21 points in the latest Washington Post/ABC poll – continues to hold up the president may have no choice but to accede.

However, the Bush campaign, reflecting Mr Baker's thinking, continues to maintain that Mr Clinton has most to gain by appearing on the same platform with the president in debate.

It has therefore rejected the latest proposal by the independent commission in charge of the debates that one be held in Louisville, Kentucky, next Tuesday with a single moderator rather than with a panel of questioners, as the Bush campaign wants.

Banks reject US bid for Canary Wharf

By Robert Peston in Washington

THE ONLY serious bid for control of Canary Wharf – from a consortium led by the US financiers Mr Larry Tisch and Mr Lewis Ranieri – has been rejected by bankers to the financially-troubled London property development.

There is no prospect, therefore, of securing outside capital for a vital private sector contribution to the costs of extending the Jubilee underground rail line, which is crucial to Canary Wharf's prospects.

Given that, the bankers have to decide in the next few days whether they will provide the £170m ($290m) needed.

Bankers gathered in Washington for the annual meeting of the International Monetary Fund said Canary Wharf's 11 leading bank creditors have voted by seven to four to reject the offer from the consortium, which was formed by Mr Paul Reichmann, founder of the development.

LLoyds Bank, the UK clearing bank, led opposition to the consortium offer, whose main champion among the banks was Canadian Imperial Bank of Commerce.

Some banks opposed the bid because it would have left Mr Reichmann with an equity interest in the project, and they blame him for their losses on loans to the project.

The consortium, which was proposing to inject between £235m and £350m into Canary Wharf, would have provided the first tranches of a private sector contribution to the Jubilee costs.

The UK government has told the banks that the Jubilee extension to Canary Wharf and other parts of East London will not be built unless it receives a firm commitment by the end of the month that a private sector contribution will be provided.

Bankers said the consortium bid was the only serious offer for Canary Wharf. Some bankers *believe the Jubilee line extension* is essential to attract tenants and save the banks from huge losses on the £576m they lent to Canary Wharf.

Uncertainty over the project's future persuaded two US financial institutions, Chemical Bank and American Express, to cancel *their plans to move* to Canary Wharf.

The banks are considering proposing to the government that if it rented space at Canary Wharf, *the banks would* refinance *the* buildings let to the government and pass the funds back as a Jubilee contribution.

The administrators to the project, three partners of accountancy firm Ernst & Young, want to put a proposal to the government in the next few days.

The *administrators, appointed* in May under UK insolvency legislation, are trying to raise additional funds by selling Canary Wharf's substantial tax credits to British Gas, the UK gas company, and by selling the freeholds of two buildings to Texaco, the oil company, and to Morgan Stanley, the investment bank.

Chemical Bank blow, Page 8

Yugoslav prime minister Milan Panic leaves the UN General Assembly before delegates voted to expel his country on Tuesday night

Battle lines drawn, Page 4

British MPs show growing opposition to Maastricht

By David Owen and Alison Smith in London

AT LEAST 40 Conservative MPs are ready to defy the government over Maastricht, fuelling doubts over Mr John Major's ability to deliver British ratification of the treaty.

With both the prime minister and Mr Norman Lamont, the chancellor of the exchequer, facing the toughest tests of their political careers today in a Commons emergency debate on economic policy, an FT analysis indicates that opposition to Maastricht in Conservative ranks is gathering pace.

The analysis, compiled from *direct contact with scores of Con*servative MPs, does much to explain the pronounced Euro-sceptic tone that Mr Major has adopted in recent days.

It shows that antipathy to Maastricht on the government benches has grown markedly since May, when the bill implementing the treaty received its second Commons reading. In that vote, the number of Tories voting against the government was pegged at 22.

There was relief for the government, however, as the Labour party opposition *explicitly* ruled out supporting a referendum on Maastricht.

An amendment calling for a referendum was widely regarded as the most likely way to bring about a government defeat during the passage of the Maastricht bill, since support for it goes beyond the Euro-sceptic camp.

The Tories will be anxious to exploit signs that the Labour party remains divided over the approach it should take to Europe, even though the opposition avoided a split in approving a new policy statement.

The figure of 40, representing nearly one in five Tory MPs who are not in government, comprises those who would not support the government if it reintroduced the bill implementing Maastricht to the Commons unamended. Another sizeable group of MPs expressed serious reservations and declined to pledge the government their unconditional support.

In spite of the turmoil of recent weeks, some Tories still express faith both in the treaty itself and the government's ability to command a majority for it in the Commons.

Major watches the enemy within, Page 8
Editorial Comment, Page 12

Easing Maastricht fears

Continued from Page 1

minister. According to news agency reports from France, Mr *Pierre Bérégovoy*, the prime minister, said decisions must be brought closer to the people. The subsidiarity principle – maximum devolution of decision-making – must be "fully realised", the reports said.

Renegotiation of Maastricht was not discussed on Tuesday *night. Both leaders, the principal* champions of European union, remained firm in their commitment to the treaties even if they took longer than expected to be ratified by EC members.

Although there was some disparity between French and German versions of the precise contents of the Paris meeting, it was clear that both leaders felt the need for an initiative to bolster popular confidence in economic and political union, which has been weakened by the Danish referendum No and the narrowness of the Yes vote in France.

According to an opinion poll published yesterday, more than 70 per cent of Germans want to keep the D-Mark in preference to a single European currency, and only 32 per cent support the Maastricht treaties as they stand.

Speaking on German television *after the Paris talks, Mr Kohl* made an unusually robust attack on "regulation mania" in Brussels, which had to be reined in.

Reflecting growing public antipathy at home, although not naming Germany, he spoke of reservations among people in different EC countries over an "over-powerful bureaucracy . . . which destroys national identity".

Brussels moves to defend role

Continued from Page 1

meddling. Increasingly demoralised officials believe, however, this sort of cap-in-hand posture will rebound on the Commission, which under EC rules has the sole right to propose legislation.

Sir Leon Brittan, the UK's senior commissioner who runs competition policy, joined the *fray last night, warning against* the danger of "Eurosclerosis" again taking hold.

"We must not abandon all policy-making in the face of anxiety, and the fear of one political hurdle after another", he said. He appealed for renewed confidence between EC institutions and *member states. "It is time to stop* mutual recrimination and abandon the search for scapegoats."

World Weather

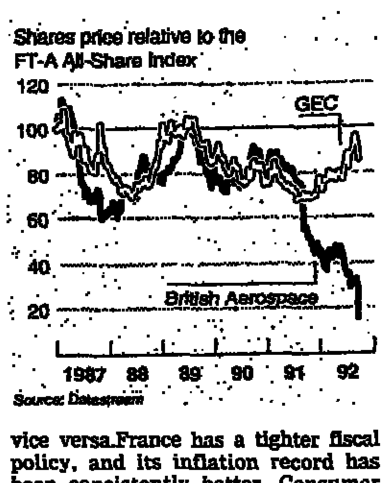
		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	F	16	61	Frankfurt	F	18	64	Majorca	C	26	79	Oporto	S	18	64	Tenerife	F	23	73
				Brussels	F	17	63	Geneva	F	18	64	Malaga	S	25	77	Oslo	C	14	57	Tokyo	S	25	77
				Budapest	F	22	72	Gibraltar	S	25	77	Malta	S	27	81	Paris	C	14	57	Toronto †	S	4	39
Ajaccio	F	25	77	Buenos Aires	F	20	68	Glasgow	S	15	59	Manila	C	32	90	Prague	S	22	72	Tunis	F	30	86
Algiers	F	26	79	Cairo	S	30	86	Helsinki	S	16	61	Melbourne	C	14	57	Reykjavik	F	8	46	Valencia	F	24	75
Amsterdam	R	16	61	Cape Town	S	16	61	Hong Kong	S	31	88	Mexico City	C	22	71	Rhodes	S	26	79	Venice	F	23	73
Athens	S	27	81	Caracas	R	29	84	Innsbruck	C	21	70	Miami †	F	26	79	Rio d'Janeiro	F	33	91	Vienna	S	24	75
Bahrain	S	36	97	Casablanca †	S	22	72	Inverness	S	11	52	Milan	C	20	68	Rome	F	27	81	Warsaw	S	17	63
Bangkok	C	33	91	Chicago †	S	7	45	Islamabad	F	32	90	Montreal †	S	6	43	Salzburg	F	21	70	Washington †	S	14	57
Barcelona	F	23	73	Cologne	C	18	64	Istanbul	F	22	72	Moscow	C	10	50	S'Francisco †	F	15	59	Zurich	F	15	59
Beijing	C	22	72	Copenhagen	F	16	61	Jakarta	R	32	90	Munich	C	17	63	Seoul	S	26	79				
Beirut	F	28	82	Corfu	S	26	79	Johannesburg	S	14	57	Nairobi	F	27	81	Singapore	R	27	81				
Belfast	C	11	52	Dallas †	S	14	57	Lisbon	S	22	72	Naples	F	28	82	Stockholm	S	17	63				
Belgrade	S	25	77	Dublin	C	12	54	London	C	13	55	Nassau	C	32	90	Strasbourg	C	19	66				
Berlin	S	21	70	Dubrovnik		-	-	Los Angeles †	S	20	68	New Delhi	S	21	70	Sydney	S	22	72				
Biarritz	C	16	59	Edinburgh	F	13	55	Luxembourg	C	14	57	New York †	S	14	57	Taipei	F	28	82				
Bombay	S	32	90	Faro	S	24	75	Madeira	C	20	68	Nice	S	23	73	Tangier	S	23	73				
Bordeaux	C	17	63	Florence	F	22	72	Madrid	S	21	70	Nicosia	S	25	77	Tel Aviv	F	28	82				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

BAe in need of defence

FT-SE Index: 2580.5 (-5.5)



Those who hoped that British Aerospace's interim results would dispel uncertainty about the company must be sorely disappointed. For all the management's insistence that it has grasped the nettle, thorny issues remain; the sharpest being actually signing the Taiwanese jet deal, progress on the Saudi Al Yamamah contract, the survival of the European Fighter Aircraft and the future cost of *producing its turboprop airliners*. Given all that, valuing the shares is extremely difficult. Fund managers must be secretly relieved that BAe is now small enough to ignore in their portfolio weightings.

In the absence of an earnings stream, yield valuations are the conventional prop. But BAe's dividend outlook is still unclear. The company surely intends the proposed 3p interim dividend as a stable base for dividend growth, and if a similar final payment is made, yesterday's close of 113p *would put the shares on a yield* around 7 per cent. However, even that payment must depend on the success in the Taiwan deal and the generation *of retained profits elsewhere*.

Asset valuations are also uncertain. If the company was broken up in current economic conditions even BAe's prime assets like Rover and some of Arlington's sites would be very difficult to move at anything other than fire sale prices. With a weak market worldwide the longer term reliability of defence profits may also be in doubt. The cancellation of the EFA would deprive the company of much needed work for its Wharton plant later in the decade and a platform for several of its missile systems.

Denied solid valuation criteria, shareholders must now form a view on the management. Has the team provided for the thick end of the problems, as it claims, and can it unlock the value of BAe's assets without treading on more land mines; or will BAe remain accident prone? Mr John Cahill's record at BTR suggests investors should have confidence. But defence is a singular business and there are other managers further down the line used to the bad old ways. A turnaround will depend on his ability to convert or replace them.

Currencies

There is a great irony in the troubles facing the French franc. If anything, the fundamentals suggest it ought to be a candidate for revaluation against the D-Mark rather than vice versa.France has a tighter fiscal policy, and its inflation record has been consistently better. Consumer price *inflation is only* 2.7 per cent compared with 3.5 per cent in Germany. Still the franc's position remains precarious. Yesterday's rise *in short-term interest rates* backed up by intervention and the outspoken verbal support of the Bundesbank brought only partial relief. As Britain found last week, the weight of capital flows rapidly becomes too great to resist when the market loses faith in a given currency.

The political will to hold the line is undeniable, but it looks increasingly as though the markets will exact a price in the form of a significant German interest rate reduction. That would incidentally open the way to further rate cuts in Britain. It might bring some relief to Spain, which has alienated foreign investors in its government bond market through the reimposition of exchange controls. Most important, it would be a gesture of recognition by the apolitical Bundesbank that Europe's aspiration towards integration has conferred on it a political role.

That may be hard for the bank to square with its legal obligation to target domestic price stability. It could argue that the appreciation of the D-Mark against sterling, the lira and the peseta already imply some offsetting deflationary effect. The point is that it has little time time left to wrestle with its conscience. The crunch is probably only days away.

Barratt

Results from Barratt Developments would seem incomplete these days without a confident assertion from Sir Lawrie that the UK housing market is on the turn. *Figures of the kind which* so impressed the market yesterday, though, have recently been anything but routine.

Barratt's apparently gravity-defying performance – the £117m turnaround at the pre-tax level includes an astonishing 50-70 per cent jump in UK operating profits, according to outside esti*mates* – owes much to last year's thumping write-off in the value of its land bank.

The achievement is a good deal more than cosmetic, though. Everything points to a classic tightening up of financial controls and a substantial squeeze in working capital. The number of unsold houses has fallen from 900 to 500, those held in part exchange now total 800 against 1100 at the start of the year.

While not belittling Sir Lawrie's determination – or indeed challenging his strategy – the most difficult bit may be yet to come. It does not require much of an act of faith to see margins of 10 per cent by 1993-94, but without an unduly bullish view of the housing market it is hard to see where the growth comes thereafter. That said, even after yesterday's jump in the price the market is a bit uncharitable in valuing the shares on a forward multiple less than half that of some of the sector's quality players.

Amstrad

As they might say at Tottenham, the boy's done good. Having sold a 7.5 per cent stake in Amstrad for 79p per share – putting roughly one-third of the £34m proceeds into gaining control of the North London football club – Mr Alan Sugar announced yesterday that he may be ready to bid 30p per share for the outstanding 65 per cent of the personal computer company which he does not already own.

Taking Amstrad private – and completely away from the public gaze – may be a good idea at this particularly awkward stage in the group's chequered history. Ordinary shareholders, though, are entitled to feel deeply frustrated. If latest estimates that the balance sheet contains 19p of net cash per share are correct, Mr Sugar is picking up Amstrad's existing products, its distribution network and any ideas in the pipeline for just 11p. There is obviously no prospect of a counter bidder. It goes to show that it is not only continental minorities that get stuffed.

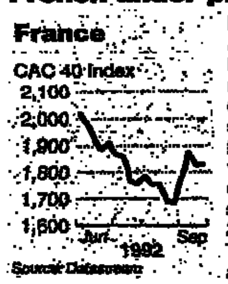
FINANCIAL TIMES
COMPANIES & MARKETS
Thursday September 24 1992

INSIDE

New broom at Rothschild Bank

The British, French and Swiss Rothschild families who own Zürich-based Rothschild Bank are hoping that an additional SFr150m ($115m) provisions and a new general manager can end the bank's troubles. Page 16

French under pressure



French equities initially rallied after the central bank raised key interest rates, before falling back on fears that efforts to support the franc may fall. The CAC-40 index, which had seen a high of 1,851 during the session, retreated to close 3.88 lower at 1,828.93. This is a fall from around the 2,000 level at the beginning of June. Back Page

Norway stops oil groups leaving

Norway is considering big changes to its energy policy in an effort to stop foreign oil companies leaving. The oil groups have shown signs of moving to Vietnam, Angola and China. Norway has become the fourth biggest exporter of oil in the world, and is anxious not to threaten that position. Page 26

Caracas equities fail to rally

Venezuela's economy, which posted the highest real growth in Latin America last year, continues to expand in 1992 but the Caracas equity market is lagging behind. Prices on the Bolsa de Valores de Caracas have been unable to recover to the level they reached last February 3, the day before a group of army officers staged the first coup attempt seen in Venezuela since the early 1960s. Back Page

Zucchi dents its record

Zucchi, Europe's leading producer of household textiles, is set to announce a fall in net earnings for the first half of 1992 – denting the Italian group's six-year record of earnings and dividend growth. Page 17

Write-offs pull Magnum into loss

Magnum, the New Zealand drinks group, announced net losses of NZ$233.36m (US$126m) for the year to June, a sharp turnaround on the previous year's profits of NZ$25.24m. The company made heavy write-offs on the sale of non-core assets and other investments. Page 18

Airtours buys Pickfords

Airtours, the UK's third largest tour operator, has bought the Pickfords travel agency chain for £16m ($27.2m). Airtours will pay for the purchase from its own cash resources. Pickfords Travel is the UK's third biggest travel agency chain. Page 22

Geest warns on full-year figures

Geest, the UK fresh produce and prepared foods group, increased pre-tax profits 2 per cent from £15.11m to £15.42m ($26m) for the half year to June 27. However, a recent collapse in fresh produce prices led to a warning that the full-year results may be less than last year's pre-tax profits of £26.2m. Page 21

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Colonia Konz	720	+	30
Heidelb Zem	885	+	20
Porsche	539	+	34
Falls			
Fag Kugel	175	–	10
Goldschmidt	880	–	20
Leifheit	395	–	20

NEW YORK ($)			
Rises			
Alexanders	27	+	3⅜
Falls			
Black & Decker	18⅛	–	3⅛
Chrysler	22⅞	–	1
Fleming	30¼	–	1
Gen Motors	32	–	1
Video Lottery	14	–	10

PARIS (FFr)			
Rises			
Bancaire Cie	392	+	14
Cogifi	325.5	+	15.5
Falls			
Credit Lyonn	484.5	–	25.5
Fin Pollet	414	–	21.1
L'Oreal	961	–	46
Valeo	730	–	38

Tokyo closed.

LONDON (Pence)			
Rises			
Amstrad	28	+	3
Barratt Devs	67	+	17
Bunzl	102	+	5
Chesterfield	155	+	27
Clyde Pet	36	+	4½
Debenham Tewson	43	+	7
Gent (SR)	47	+	6
Huntleigh Tec.	718	+	38
JMD	4½	+	2¾
Lee (Arthur)	33	+	5
MEPC	252	+	13
Nina Foods	270	+	13
RHM	180½	+	9½
Travis Perkins	144	+	11
Falls			
Airbreak Leis	11	–	4½
Amber Day	34	–	5
BET	110	–	9
Brit Aerospace	113	–	88
Geest	302	–	38
Lucas Inds	90	–	11
SmithBeecham A	504	–	24
TI	317	–	14
Vickers	79	–	9
Williams Hldgs	276	–	14

Bohn to quit as chief of Porsche

By David Waller in Frankfurt

SPECULATION about the future direction of Porsche, the troubled German sports car manufacturer, intensified yesterday after the company announced that Mr Arno Bohn would step down as chief executive at the end of the month.

The Stuttgart-based company said Mr Bohn, 45, was leaving by mutual agreement because of differences of opinion over business policy. His successor will be Mr Wendelin Wiedeking, the 40-year-old main board director responsible for production.

The move comes several months after a dispute between Mr Bohn and the supervisory board. The board at first failed to confirm him in office, going so far as to line up an outside successor. But in February it renewed his contract for three years after he threatened to resign.

With sales down to less than half the level of the mid-1980s, the company is struggling to find its way forward in the leaner 1990s. In the first half of the year to July 31, pre-tax profits fell 97 per cent to DM2m ($1.3m) on sales of DM1.1bn.

Analysts suggested that a possible explanation for Mr Bohn's departure was that the company was heading towards a loss for the whole of 1992. Mr Bohn forecast earlier this year that Porsche would make a profit in spite of dire conditions in international markets for the group's cars and the likelihood of a 25 per cent drop in sales to DM2.5bn.

His resignation could also be the inevitable result of the boardroom fracas earlier this year, when the Porsche and Piëch families which control the company and dominate the supervisory board, made plain their lack of confidence in Mr Bohn.

Another possibility is that his departure signals the end of the company's independence, although there was no hint of a sale in yesterday's statement. It has been subject to takeover speculation and some industry observers speculated that Mr Wiedeking might prove to be a caretaker chief executive pending the sale of the company to a third party.

In the year to July, Porsche delivered 22,000 cars, down from 26,000 a year earlier and around 50,000 in the mid-1980s. Sales to the US were 4,000, down from a peak 30,000. Export business in the current year is likely to be hit by the strength of the D-Mark.

Arno Bohn: stepping down

Kevin Done on the German translation of the Japanese gospel of lean production

A new car industry set to rise in the east

The air in Eisenach appears to encourage religious zeal. In the town where Martin Luther first translated the Bible into German, the European motor industry is now trying to translate the gospel of Japanese lean production into German.

Opel, the German subsidiary of General Motors of the US, yesterday officially opened its DM1bn, ($690m) assembly plant where less than two years ago the east German motor industry was building antiquated Wartburgs.

For GM, the Eisenach plant is a chance to demonstrate that on a greenfield site in Europe it can achieve the high quality, productivity and efficiency of the Japanese "transplants" set up by Nissan, Toyota and Honda in the UK, and which have already sprung up across North America in the last decade.

For the hard-pressed German government it is a chance to show that reunification can lead to the rapid regeneration of east German industry.

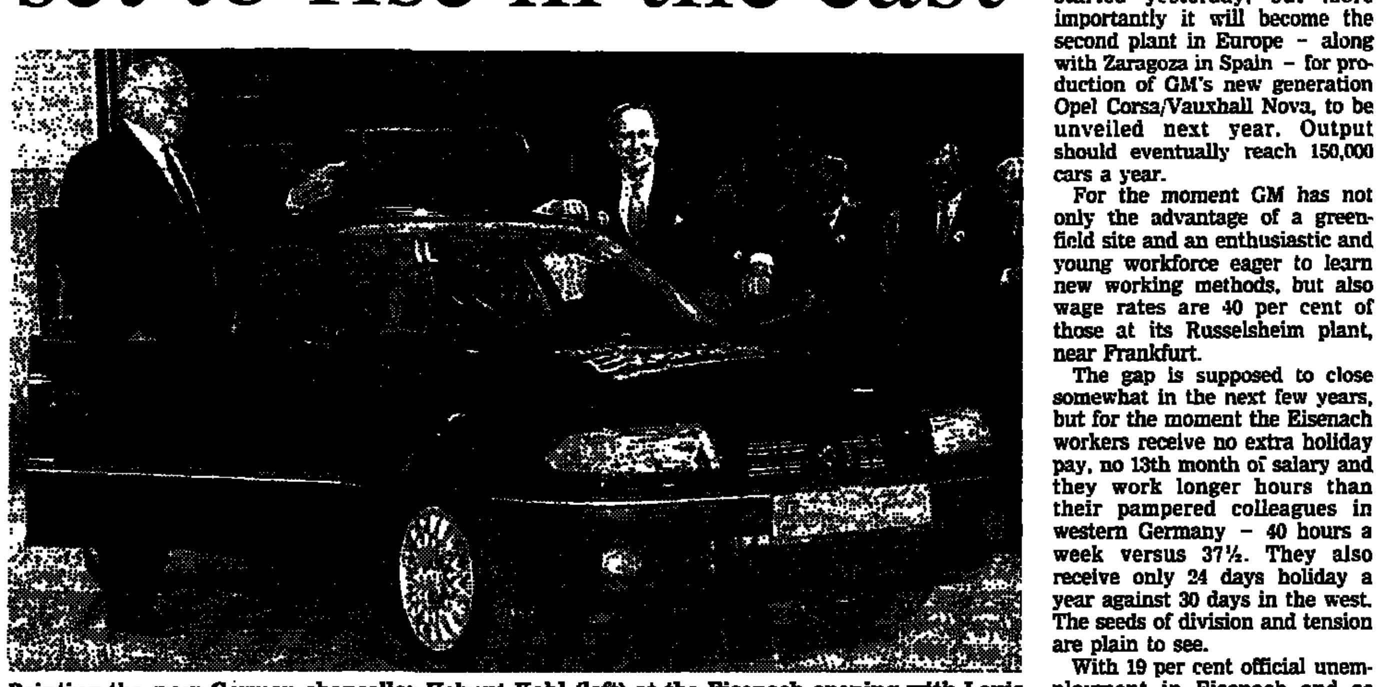
Yesterday was an occasion for proclamations of faith, both in the industrial re-birth of east Germany and of GM.

"Today we must say 'Go east!, young man, go east'," declared Mr Jack Smith, GM president, yesterday. In North America the GM president plans to close 21 plants by the mid-1990s, but in Europe GM needs new capacity to respond to a market that has reached record sales levels for seven successive years.

In terms of sales volumes the boldness of the GM vision – the speed of execution in Europe contrasts vividly with the picture of GM's lumbering bureaucracy in North America – has already been rewarded. In eastern Germany Opel has emerged as the number one make ahead of Volkswagen.

Mr Louis Hughes, president of GM Europe, came to Eisenach for the first time on January 8, 1990, and is the driving force behind GM's push into east Germany.

GM may need the extra volumes offered by Eisenach, but Mr Hughes insists, "We have only one interest and that is to make sure that the lean production process is in place in all its purity, regardless of volume. We could have a fast start-up and not have the process in place, but we are not going to sacrifice the process."



Pointing the way: German chancellor Helmut Kohl (left) at the Eisenach opening with Louis Hughes, who says: 'Lean production is the second great industrial revolution'

He clearly thinks that Eisenach can act as a catalyst for Opel's huge and expensive west German operations. GM Europe has brought together a small management team of like-minded believers, who have long experience either of GM's North American joint ventures with Toyota (Nummi) and with Suzuki (Cami), or who have been drawn directly from Toyota in the US.

"We call them advisers," says Mr Hughes, "but in another sense they are more like missionaries – and we are in need of conversion. It is close to religion, it is a life philosophy, it is that different".

He says: "It needs a complete change of thinking. Under mass production the individual was subordinated to the machine. The manpower was paced to the pace of the machines. In lean production the machines are paced to the men. Lean production is oriented towards people, while mass production is oriented to capital and equipment.

"The mass production of Henry Ford has no future. Lean production is the second great industrial revolution, after the invention of the assembly line."

According to Mr Hughes, GM has already tried elements of lean production in pilot projects at European plants, from team working, to zero-defect production strategies, just-in-time components delivery and continuous improvement techniques.

"When you combine all the elements of people, materials, equipment and systems, the results can be staggering. We would normally need much more than 3,000 people to get the same capacity as Eisenach with 2,000 people."

Mr Hughes says he is targeting Eisenach to operate at the level of the Japanese transplants. "We have reason to believe we will achieve this. We would hope to be far more efficient than any of our European competition."

Eisenach has been designed to produce two GM ranges, the Astra small family car which started yesterday, but more importantly it will become the second plant in Europe – along with Zaragoza in Spain – for production of GM's new generation Opel Corsa/Vauxhall Nova, to be unveiled next year. Output should eventually reach 150,000 cars a year.

For the moment GM has not only the advantage of a greenfield site and an enthusiastic and young workforce eager to learn new working methods, but also wage rates are 40 per cent of those at its Russelsheim plant, near Frankfurt.

The gap is supposed to close somewhat in the next few years, but for the moment the Eisenach workers receive no extra holiday pay, no 13th month of salary and they work longer hours than their pampered colleagues in western Germany – 40 hours a week versus 37½. They also receive only 24 days holiday a year against 30 days in the west. The seeds of division and tension are plain to see.

With 19 per cent official unemployment in Eisenach and as much as 43 per cent unofficial unemployment in the Thuringen region, Mr Volkmar Jonik, a 34-year-old production supervisor, who joined Opel from the old Wartburg plant, admits that many were euphoric to get the Opel jobs at Eisenach.

"We cannot have everything at once," he says, but he admits tensions are rising. "We pay the same prices for many things, for petrol, for food, rents are rising, but we only get half the pay."

Last week Mr Louis Hughes took his GM Europe top executives on a character-building course to the Swiss Alps. He managed to get them abseiling together, but it remains to be seen whether he can scale the automotive cliffs of a united but still socially divided Germany.

KIO to put $1bn into Spanish companies

By Peter Bruce in Madrid

THE Kuwait Investment Office (KIO) announced yesterday in Madrid that it is to pump $1bn into its troubled industrial empire in Spain and convert $1.4bn of debt at its Spanish holding company, Grupo Torras, into capital.

The KIO holdings in Spain, including the large Ebro foods group, the Torras Papel paper group, the large property developer Prima Inmobilaria and the chemicals group, Ercros, have been troubled since June, when the new management at the KIO decided to stop a flow of funds into the companies. Ercros is in receivership.

The Kuwait Investment Office said yesterday that Torras Papel would receive about $400m by the end of the year as part of the rescue plan, but it said that Prima's precarious financial situation would have to be resolved in conjunction with its creditors, raising fears that the company could yet go into receivership as well. Prima has gross debts of around $700m, while Ebro is fundamentally sound.

The KIO made no mention of Ercros but is believed to be trying to revive talks which could result in the group's disastrous fertiliser businesses being taken over by Freeport MacMoran of the US.

A fresh injection of capital into the group was first urged late last year by KPMG Peat Marwick, KIO's auditors. However, the new management has until now been deeply suspicious of the decisions and recommendations that were made under the agency's former leadership. The KIO now appears to have decided that the bulk of the Spanish investments made over the past six years are worth saving.

Allied-Signal to sell its 39% Union Texas stake

By Martin Dickson in New York

ALLIED-Signal, the industrial technology company in the throes of a large restructuring, announced yesterday that it would be selling its 39 per cent stake in Union Texas Petroleum in a public offering which is likely to raise around $600m gross.

It will raise a further $355m through the cash redemption of $200m of preferred Union Texas shares and $155m of warrants. Allied said the proceeds should translate into a pre-tax gain of about $350m.

Mr Lawrence Bossidy, who took over as chairman of Allied in 1991, has made no secret of his desire to shed the company's oil and gas interests as part of a slimming and refocusing of the high technology conglomerate.

However, until now Allied had deemed the market for energy properties too weak to justify a sale.

The company said the proceeds would be used to reduce debt, accelerate productivity improvements and for other corporate purposes.

Costs associated with the productivity action might offset the gains from the sale.

Union Texas is the second largest independent US oil company and is particularly active in the UK and Indonesia.

It was acquired by Allied, then primarily a chemicals company, in 1962. In 1985 it went through a leveraged buy-out in which Kohlberg, Kravis Roberts, the buy-out specialist, acquired a 50 per cent stake, and a public offering followed in 1987.

A spokeswoman for KKR said yesterday it would be retaining its remaining 39 per cent equity stake, but would be redeeming $145m of warrants.

The Allied offer, expected to be completed in the fourth quarter, is for 33.3m shares of common stock.

● American Telephone and Telegraph's consumer products division has moved the headquarters of its corded telephone business and its European operations to southern France, Reuter reports.

Mr Philip Chauveau was named vice-president and general manager of the corded telephone business and managing director of its European operations.

Mr Chauveau is the former vice-president and group general manager of Apple Computer's European operations.

Smiths buys US group for $110m

By Paul Taylor in London

SMITHS INDUSTRIES, the UK-based aerospace electronics, medical systems and specialised industrial components group, is buying Intertech Resources, a privately held US disposable medical products company, for $110m.

Smiths' share price fell 6p to close at 308p.

The cash purchase, which includes the assumption of $18m debt, will significantly expand Smiths' existing medical products business, while also adding to the group's US operations.

Smiths' Industries is already one of the world's leading suppliers of disposable medical products and has significant market shares in Europe, the Middle East and Asia. Intertech is a large supplier of "single-use" anaesthesia and respiratory devices used in surgery and intensive care. It reported an operating profit of $8m before interest of $1.6m on sales of $43.5m in the year to June 30. It ended the period with assets of $24.4m.

Commenting on the acquisition Mr Roger Hurn, Smiths' chairman, said; "Intertech is a strong company with highly respected brands. I expect the company to make an early contribution to profits after financing costs."

Smiths, which had net cash of £95m at the beginning of February, had been expected to continue diversifying from defence and civil aerospace.

Intertech employs 450 people. Its headquarters are in Chicago, but its main operations are in Fort Myers, Florida. Almost 90 per cent of its sales are derived from its own production and its products are sold in the US healthcare market directly and through distributors.

The acquisition, subject to US anti-trust clearance, will boost Smiths' growing Medical Systems division which had sales of £125.3m ($214.3m) in the 1990-91 financial year. In the latest six-month period to February 1 the division accounted for 31 per cent of the group's £37.8m trading profits and 21 per cent of its £307.4m half-year turnover.

The US company will join Smiths' existing medical operations in North America which include Concord/Portex, a leading supplier of disposable devices for intensive therapy, and blood gas sampling kits, and Respiratory Support Products which makes probes and monitors for measuring body temperature during surgery.

Barratt returns to the black with £11.3m for year

By Andrew Taylor, Construction Correspondent

SIR LAWRIE Barratt, who 14 months ago came out of retirement to rescue Barratt Developments, Britain's third largest housebuilder, yesterday announced that the group had turned a £105.9m loss into a £11.3m ($19.32m) pre-tax profit during the 12 months to the end of June.

The turnround occurred in spite of extremely difficult trading conditions, said the Barratt chairman.

Sir Lawrie appealed to Mr John Major, the UK prime minister, to cut base interest rates to 6 per cent, end stamp duty on house sales, raise the ceiling for mortgage tax relief and provide capital allowances to encourage the private rented market.

Barratt's share price rose by almost one-third yesterday to 67p following the announcement that the group was to pay a final dividend of 2p. Earnings per share were 7.8p.

Sir Lawrie said the group had achieved its twin targets of returning to profits and dividends and reducing gearing to below 50 per cent.

Net debt, including off-balance sheet finance, had fallen from £205m to £71m over the 12 months, cutting gearing from 120 per cent to 39 per cent. Savings of almost £60m had been achieved by reducing Barratt's stock of unsold and part-exchange houses held for sale.

Sale and leaseback of show homes had provided another £38m savings. The group had also benefited from £14m of commercial property disposals.

In the UK, the group sold 4,706 homes – 5 per cent fewer than in the previous year. Barratt made a further write-down of £6.1m against its UK housing land, compared with £84m the previous year. Sir Lawrie did not expect to make any further provisions as he believed that UK house prices had stopped falling.

Lex, Page 14; Costain results, Page 21

Sugar may buy up rest of Amstrad shares

By Michiyo Nakamoto in London

MR ALAN SUGAR, founder and chief executive of Amstrad, the UK consumer electronics and computer company, is considering buying shares in the company which he does not currently own, the company said yesterday.

The announcement followed speculation among institutional investors that Amstrad would be taken private again after the company's languishing shares rose strongly.

Amstrad said Mr Sugar, already the single largest shareholder with 35.4 per cent, was considering buying the remaining issued ordinary shares which he does not own at 30p a share, subject to the availability of financing.

The news, which did not come as a complete surprise, was received fairly positively by investors, and Amstrad's shares rose 3p to 28p.

There had been speculation for months that Mr Sugar might want to take Amstrad private again. The consensus among analysts was that, at its current price, Amstrad was so cheap it must have looked a good opportunity to Mr Sugar.

The company has seen its share price fall from 233p in 1988 to 20p last week. The share price stands at about half the asset value, estimated at about 45p per share.

Analysts say going private would make it easier for the company to carry out the drastic restructuring that may be needed to turn it around.

Although the offer of 30p a share is unlikely to look attractive to many shareholders, they may not have much choice, says Mr Patrick Wellington, industry analyst at County NatWest.

If a buy-out is attempted and fails, they would have a disappointed potential buyer as a chairman, he added.

Amstrad, which will announce final results for the year to June 30 a week from Friday, is expected to report a loss of between £65m and £75m.

Lex, Page 14

Rothschild Bank opens a new account

Ian Rodger examines attempts to end a troubled decade in the family business

THE British, French and Swiss Rothschild families who own Zurich-based Rothschild Bank are hoping that an additional SFr150m ($115.30m) in provisions, plus a new general manager, can bring an end to a very troubled decade at the bank.

"We hope that this is a book that is now closed," Sir Evelyn de Rothschild, chairman of the bank, said yesterday.

Sir Evelyn said the latest provisions, which are in addition to the SFr100m announced in July, arose entirely from loans made improperly by the bank to companies associated with the two German-Canadian property financiers, Mr Karsten von Wersebe and Mr Wolfgang Stolzenberg.

In a statement this week, the bank recalled that "the individual concerned at the bank" had been arrested. Last month, Mr Jürg Heer, a former senior executive of the Rothschild Bank, was arrested in Zurich for irregularities involving several millions of Swiss francs, according to the Zurich prosecutor.

Subsequently, it was confirmed that the bank had also infringed Swiss Banking Commission regulations by lending more than the equivalent of 20 per cent of its capital to companies related to Mr von Wersebe.

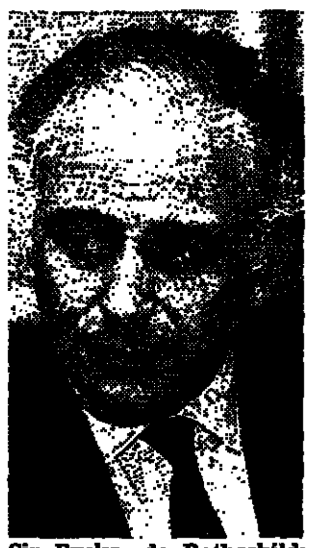
Rothschild Bank, like many in Switzerland, specialises in managing funds for rich individuals and normally does not engage in lending.

If this were the only unseemly incident that the bank had suffered in recent years, no one would be too concerned. But it is, in fact, the third in eight years.

The last was in 1990, when Rothschild was retained by the US tobacco group Philip Morris to advise it on its planned acquisition of Jacob Suchard. Prior to news of this takeover being made public, the bank bought some SFr11.8m worth of Suchard shares for its own account through a Panamanian company.

Shortly after these purchases came to light, Mr Erwin Brunner, then the bank's general manager, resigned and the bank donated its SFr2.3m in profits from the position to charity. The Swiss authorities investigated the affair but no charges for insider trading were filed.

In 1984, the bank made a SFr49.9m loan to Marc Rich, the Zug-based international commodity dealers, secured by a first mortgage on a Rich



Sir Evelyn de Rothschild: no comment on the past

tanker. The Swiss Banking Commission, upheld by the Swiss Federal Court a year later, decided that the loan was a fiction aimed at protecting the tanker from confiscation by US tax authorities who then had a claim against Mr Marc Rich. As such, the loan contravened Swiss banking law.

Even an official of the Swiss Banking Commission, which as a rule does not comment on developments at individual banks, was prompted to observe a few weeks ago that this constituted "quite a list" of problems.

Sources familiar with the bank suggest that its difficulties stem from a low level of supervision during much of the 1980s. This, in turn, reflected tensions in the French and British wings of the Rothschild family. Until 1991, when a Swiss company controlled by the British family raised its stake to 51 per cent, the bank was controlled by the French family represented by the ageing Baron Elie de Rothschild, who was chairman.

Baron Elie hired Mr Alfred Hartmann, a former executive of Union Bank of Switzerland and of F. Hoffmann-La Roche, the Basle-based pharmaceutical group, as general manager in 1983. Mr Hartmann, who is still on the Rothschild Bank board, was also a director of the collapsed Bank of Credit and Commerce International.

Mr Brunner took over as general manager at the beginning of 1989, but following his resignation two years later a replacement was not found until this week when the appointment of Mr Guy Wais, general manager of Guyerzeller Bank in Zurich, was announced.

Sir Evelyn said he could not comment on the past. He pointed out that he took over as chairman in July 1991 and shortly after discovered serious problems.

He said no other bank executives would be leaving as a result of the latest irregularities. He acknowledged that the bank had lost "a very few" customers as a result of the scandal, but said most were loyal and, he hoped, satisfied with the service they were getting.

He said Mr Hartmann's continued presence on the board was "a fair question that has to be dealt with in due course".

The bank's financial position remained sound and it was operating profitably, Sir Evelyn said. When the first SFr100m of provisions were declared, the bank liquidated its SFr63.5m in hidden reserves.

Responsibility for the loans involved in the latest SFr150m has been shifted to a private Rothschild family company in Switzerland, leaving shareholders' equity at the SFr204m level declared in the March, 1992 balance sheet.

Lafarge Coppée returns to modest profit growth

By Alice Rawsthorn in Paris

LAFARGE Coppée, the French company which is the world's largest construction materials group, returned to profits growth in the first half of this year with a modest increase in net profits of 1 per cent from FFr688m to FFr695m ($136m).

Last year Lafarge suffered a fall in profits, the first decline for eight years, with net profits sliding from FFr2.19bn in 1990 to FFr1.23bn in 1991, mainly because of the downturn in the group's US interests.

Lafarge managed to hold profits in the first six months of this year, despite a decline in cement sales in France, where the construction industry has been hit by the economic slowdown.

The group had earlier announced that its interim turnover was 1 per cent down at FFr15.06bn. Earnings per share fell by 2 per cent from FFr13.7 in the first half of last year to FFr13.4 in the same period this year.

Mr Bernard Collomb, chairman, recently announced that the group, which has expanded aggressively by acquisition in recent years, would be reining in its investments this year in order to try to restrain its net debt.

● Salomon, the French ski and sports equipment maker, expects to see a rise in profits, a 7 per cent increase in sales and a reduction in debt in 1992-93, Reuter reports from Paris.

Salomon made a net profit of FFr66.3m in the year ended March 1992 on sales of FFr3.01bn. The company said capital spending should be stable in the 1992-93 after FFr131m the year before.

Lyonnaise des Eaux Dumez ahead 2% in first half

By Alice Rawsthorn

LYONNAISE des Eaux Dumez, one of France's largest industrial companies, saw net profits rise by a modest 2 per cent from FFr697m in the first half of 1991 to FFr711m ($139m) in the same period this year.

Lyonnaise has had problems with its Dumez construction interests following the downturn in the European building industry. Dumez's difficulties were chiefly responsible for a fall in the group's net profits from FFr1.4bn in 1990 to FFr1.17bn last year.

The construction sector remained depressed during the first half of this year, producing a loss of FFr38m.

Lyonnaise was also burdened by a steep increase in financial charges from FFr290m in the first six months of last year to FFr500m in the same period of 1992.

However, the group's other interests fared reasonably well.

It succeeded in increasing sales by 14 per cent from FFr38.6bn to FFr44bn and operating profits by 37 per cent from FFr803m to FFr1.1bn.

The company recently announced a rationalisation programme for Lyonnaise's investments which will include selling its 3.9 per cent stake in Havas, a leading French media group, and eventually ceding control of United Westburne, its Canadian construction materials subsidiary.

Crédit Agricole signs agreement with DG Bank

By Alice Rawsthorn

THE FRENCH banks are continuing their international expansion with Crédit Agricole, the third largest force in French banking, signing a partnership agreement with DG Bank of Germany to pool their small and medium sized business activities.

Crédit Agricole's agreement with DG Bank, which is not expected to lead to a share exchange between the two companies, follows the accord struck between Banque National de Paris of France and Germany's Dresdner Bank. Crédit Lyonnais, another leading French bank, is negotiating an agreement with BfG Bank of Germany.

Italian telephone utility rises 14% on strong sales

By Haig Simonian in Milan

SIP, Italy's main telephone utility, raised operating profits by 14 per cent to L689.7bn ($554m) in the first half of this year, due partly to a 12 per cent rise in sales to L10,601bn.

The company warned that Italy's slowing economic growth could hit earnings and turnover this year. However, Mr Ernesto Pascale, chairman, "promises to maintain profitability at all events," by maintaining productivity improvements and investment spending.

The growth in calls had been particularly strong on long-distance traffic, while SIP's highly profitable mobile communications activities continued their surge, with a 59 per cent jump in subscribers. Subscriber growth for all telephone services, which increased by 3.3 per cent in the first half, was maintaining 1991 levels.

SIP said that forecasts for this year's earnings would be complicated by the effect of the government's budgetary plans, which involve higher taxation and a possible freeze on tariffs.

● Elsag Bailey, the stock market-listed automation equipment subsidiary of the state-owned Finmeccanica group, raised operating profits by 20 per cent to L48bn in the first half of this year. The company predicts a year-end turnover figure of around L1,400bn, which would be 11 per cent up on last year's L1,258bn.

Black & Decker shares tumble on profits warning

By Karen Zagor in New York

SHARES IN Black & Decker fell sharply yesterday morning after the US household equipment maker and information services company warned Wall Street not to expect earnings growth in the third quarter.

The company blamed deterioration in European economies and other international markets and over-capacity in the worldwide electronics industry for its disappointing outlook.

It does not expect third-quarter earning to exceed the $12m, or 12 cents a share, earned in the second quarter of this year.

Analysts had expected Black & Decker to earn at least 22 cents a share in the third quarter, with some predictions as high as 35 cents a share. In the 1991 third quarter, the company earned 16 cents a share.

At mid-session, shares in Black & Decker had dropped $2⅝ to $16⅛.

Mr Nolan Archibald, chairman and chief executive, said: "The high interest rate environment, together with currency and trade issue throughout Europe, continue to keep pressure on our consumer and commercial businesses during the current quarter. Improvements in our US operations will not fully compensate for lower sales and production volume in Europe."

Black & Decker recorded 1991 sales of $4.64bn, with international sales contributing 44 per cent of the total.

Although analysts had taken the weak economic conditions in Europe and Canada into account in their earnings projections, they had expected the impact to be offset by the company's recent cost-cutting measures.

Earlier this year, Black and Decker completed a 20.7m stock offering which allowed it to reduce interest expenses by retiring $465m in long-term debt.

Two French food groups show first-half increases

By Alice Rawsthorn in Paris

TWO of the leading players in the French food industry, Eridiana Béghin-Say and Saint-Louis, yesterday lightened the gloom in the French corporate sector by announcing healthy increases in net profits for the first half of the year.

Saint-Louis, with extensive interests in sugar and paper, saw net profits rise by 30 per cent from FFr356m ($69.8m) in the first half of 1991 to FFr462m in the same period this year.

This increase includes the benefit of Saint-Louis' investment in Perrier, the mineral water company which was the butt of a recent bid battle between Nestlé of Switzerland and the Agnelli family of Italy. Saint-Louis, which sided with the Agnellis during the bid, took a stake in Perrier only to sell it at a profit to the Nestlé camp.

Saint-Louis' sales rose from FFr5.32bn to FFr18.16bn and operating profits from FFr365m to FFr719m because of the decision to consolidate its 39 per cent stake in the Arjo Wiggins Appleton paper group.

The company said that although economic conditions in the second half seemed set to be as "difficult" as the first, it was "well-armed" to withstand the competitive climate.

Eridiana, also a significant player in sugar representing the restructured food interests of Ferruzzi of Italy, saw net profits rise from FFr464m to FFr572m in the first six months of 1992.

It sees a "similar rate of growth" for the full year.

Operating profits rose by 24 per cent to FFr1.67bn and sales increased by 22 per cent to FFr24.1bn, reflecting the contribution of recent acquisitions such as Ducros, the spice company.

Sulzer to sell assets as part of shake-up

By Paul Cheeseright in Birmingham and Ian Rodger in Zurich

SULZER Brothers, the Swiss engineering group, has agreed to sell its industrial and utility boiler activity to ABB Asea Brown Boveri and its valves and control systems division to IMI of the UK.

No terms were disclosed, but Sulzer said the sales were part of a restructuring.

Concentration in the thermal power generation industry led to the sale of its boiler business to ABB, which is now one of the world's top power generation equipment suppliers with annual sales of SFr2bn ($1.58m) in this field. By contrast, Sulzer's annual sales in this area are only SFr110m.

Similarly, IMI is already a world leader in a broad range of fluid power systems, while the Sulzer business, with annual sales of SFr80m, was specialised mainly in valves for hostile environments.

Sulzer said the businesses being sold were profitable and the new owners intended to maintain them in their present Winterthur facilities. No redundancies are foreseen.

IMI said the acquisition of Sulzer's Thermtec's industrial valves business would strengthen its position in the power generation market.

Correction

Unione Italiana Reinsurance Company of America

OUR survey on re-insurance (Financial Times, September 7) referred to Unione Italiana Reinsurance Company of America Inc. as financially troubled. We accept that the decision taken by the parent company Unione Italiana Re to divest its US operation was a voluntary strategic one and that, when taken, the company was, and remains financially sound.

We apologise for the error.

Zucchi keeps its head down on expansion

Haig Simonian examines the Italian household textile group's strategy for growth

FALLING first-half net profits at Zucchi, Europe's leading producer of household textiles, look set to threaten the Italian group's six-year record of earnings and dividend growth.

Net earnings for the first six months of 1992, to be announced this month, will probably be down by between 25 and 30 per cent on reduced sales, warns Mr Manlio Alberto Zucchi, operations director.

However, Mr Zucchi, whose two uncles, Giordano and Manlio, are the company's chairman and managing director respectively, hopes recovery in the second half will be strong enough for full-year profits to dip only slightly to L28bn-L30bn, against L34.9bn last year. Sales should exceed L600bn, after climbing 5.8 per cent to L599bn in 1991.

Zucchi has grown fast since 1986, when it bought Bassetti, its bigger rival, from the Marzotto textiles group, which took around 23 per cent of Zucchi in return. Two years later it acquired Mascioni, a textile finishing group, also from Marzotto, followed by Jalla in France in 1990. Last June, Zucchi expanded again, buying the household textiles activities of Eliolona, another Italian manufacturer.

Zucchi now controls almost 27 per cent of the highly fragmented Italian market for household textiles such as towels, sheets and bedlinen, while in France its share has risen to 11 per cent, thanks to Jalla.

However, like other Italian textiles producers, Zucchi has been hit by rising domestic costs at a time of slackening demand. Preliminary figures suggest a 10 per cent fall in Italian demand for household textiles in the first four months of this year, and imply a bigger drop for the first half.

That could take Zucchi back to the tough early 1980s, when demand for household textiles fell by around 30 per cent. Adding to its troubles are restructuring plans, which, though ultimately cost-saving, will depress profits initially. There is also the burden of digesting Eliolona and its minority stakes in Standardtela and Standardtre, two textiles and thread producers in which Zucchi has the majority.

Zucchi has also come under fire for last year's decision to use the tax-saving device of buying the beneficial interest on share dividends to boost 1991 profits by around L5.5bn to L6bn. Similar financial engineering should lift profits by around L5bn this year.

Analysts fear the practice may be banned by the Italian tax authorities. Stripped of such special items, Zucchi's net earnings would have fallen slightly in 1991, Mr Zucchi admits. Adverse reactions from investors contributed to the group's decision not to continue the practice next year. "We'll have to find some other way to save money," he says.

Zucchi's hopes of beating the downward market trend are based on improved marketing and production. Buying Eliolona's household textiles activities, which also include licences to manufacture under the Benetton name, will expand its range and market share.


Giordano Zucchi: rising domestic costs have hit the group

Gaining full control of Standardtela and Standardtre should help reduce overheads by concentrating production on fewer sites. Already, almost all the towelling sold under the Zucchi and Bassetti brands is made at a single Zucchi plant.

The group has also just commissioned a study on the relative advantages of manufacturing in either a low-cost European Community country such as Portugal, eastern Europe, or a cheap-labour market – such as India or Pakistan – to cut costs.

So far, it is not convinced of the merits. In spite of relatively high Italian labour costs, Mr Zucchi says that manufacturing sophisticated household textiles has become increasingly capital-intensive. Finishing and printing textiles require sophisticated technology and know-how. "Going abroad is only worthwhile for some products," he says.

On the sales side, Zucchi wants to expand in Europe. Apart from France, it has been growing in Spain, where it now has a 2 to 3 per cent market share and Bassetti is well-established.

"We see it [Spain] as a future market for growth. It's like Italy 25 years ago, with no obvious dominant producers and very similar tastes," Mr Zucchi says. With the market highly fragmented, buying market share through takeovers has been rejected in favour of organic growth, which might include local production. The company also hopes to expand in Germany and recently bought a small retail chain to test the waters in Greece.

Even the depressed UK has been considered. "We looked at two possible acquisitions, and decided not to go ahead," Mr Zucchi says. While the company was attracted by relatively cheap purchase prices and the low cost of UK labour, it was deterred by antiquated and labour-intensive plant.

The domination of the UK market by big retailers was another disincentive. "The market is controlled by the distribution side. Only around 20 to 25 per cent of sales are under a manufacturer's brand name. The rest is either sold under retailers' own labels or as unbranded imports. Manufacturers just aren't known to the consumer," he notes.

Astute use of brands in a sector in which trademarks are seldom prominent has been Zucchi's strength. While Bassetti is placed slightly upmarket from Zucchi, both are familiar names in Italy.

"That has always helped us make money in circumstances where others have failed," says Mr Zucchi. "Internal competition between Zucchi and Bassetti has stimulated innovation, helping us to develop brand names in a segment of the market where that is not usually the case."

USG in debt restructuring deal

By Martin Dickson in New York

USG, the parent company of US Gypsum, has reached agreement in principle with two of its three creditor groups on a debt restructuring plan which would involve it making a "pre-packaged" Chapter 11 bankruptcy filing.

Under a pre-packaged scheme, a company reaches agreement on a restructuring with its creditors before filing for bankruptcy, minimising the time it spends under the authority of the court.

USG's filing would only involve the parent company, with no effect on trade creditors of its operating subsidiaries or the status of the many asbestos health claims pending against US Gypsum.

USG, which ran into financial trouble after loading up with debt to fend off a 1988 takeover, said it had agreed with its senior bondholders' committee and agents of its banks on a restructuring which would reduce the face value of its debt from $2.7bn to $1.6bn.

The plan would leave stockholders with just 3 per cent of the group's equity.

Some 82 per cent of the equity would be owned by holders of 13¼ per cent senior subordinated bonds, whose creditor committee has accepted the plan.

Some 15 per cent would be held by the junior creditors, who have rejected the scheme.

The company said that if it could not reach agreement with the junior creditors it would ask the courts to approve a plan that gave them nothing.

Carriers in commercial link

AIR CANADA, now working on a merger with Canadian Airlines International, has forged a commercial alliance with Air France, writes Robert Gibbens in Montreal.

The agreement, effective from April 3 1993, will allow Air Canada better access to European, African, Mid-East and Asian markets via Paris, while state-owned Air France will improve its access to North America through Montreal and Toronto. Scheduling, customer and freight will be co-ordinated.

Air Canada signed a similar deal in August with United Airlines. This operational link-up, which becomes effective on October 25, will improve service and cut connection time at the airlines' hubs.

● Air France plans to absorb its Union des Transports Aeriens (UTA) unit. No financial deal would be involved, Reuter reports from Paris.

Air France said UTA aircraft would now bear Air France colours. The move, it added, would enable the airlines to face better the crisis confronting their industry.

INTERNATIONAL COMPANIES AND FINANCE

Magnum makes loss after write-offs

By Terry Hall in Wellington

MAGNUM, the New Zealand liquor group, yesterday announced net losses of NZ$233.36m (US$125.27m) after extraordinary items for the year to June, a sharp turnaround on the previous year's profits of NZ$25.24m. Sales and operating revenues were NZ$820.92m, down from NZ$901.2m.

The extraordinary items included NZ$264.3m written off for heavy losses made on the sale of non-core assets and other investments. In particular, Magnum wrote off NZ$89.7m on its 50 per cent investment in fellow liquor group Wilson Neill, which owns Tasmania's Cascade Breweries. Magnum paid 65 cents a share, and has written them down to 6 cents, saying it may write this off as well.

Wilson Neill's share price has tumbled amid accusations of insider trading in its shares. Yesterday they sold at 4 cents.

Other sums written off included a loss on the sale of its Countdown grocery chain, and various Australian investments that totalled a further NZ$58.7m.

The group's New Zealand retail and wholesale grocery businesses were sold to Foodland Associated of Perth for NZ$175.3m, NZ$41.6m less than book value.

However the directors said the group, which is controlled by Brierley Investments and Asia Pacific Breweries of Singapore, improved its forecast profits after tax and before extraordinaries. It earned NZ$30.9m, compared with the NZ$20m directors forecast in March.

The result was helped by a better-than-expected result from sales of hotels owned by Austotel, the Australian hotel group, which contributed NZ$24.6m. The proceeds of the grocery businesses and hotel sales were applied to debt reduction.

However, the directors said that in spite of the better-than-anticipated result, the quality of earnings was not satisfactory. Only Corban Wines performed well, as the group continued to face depressed trading conditions and competitive pressures and drastically reduced margins both in Australia and New Zealand.

The company said sales by its core New Zealand liquor operations fell 3 per cent to NZ$777m, due to a drop in beer sales and higher taxes. However, Dominion Breweries finished the year strongly and maintained its market share.

In Australia, Magnum's investments in retail and wholesale businesses were unsatisfactory, the directors said. Since balance date, Vintage Cellars had been sold to Coles Myer.

The group was continuing negotiations with banks to replace debt facilities, and was considering additional funding. A rigorous programme to restore profitability was being continued.

Capco places post-1997 debt successfully

By Simon Holberton in Hong Kong

CASTLE Peak Power Company (Capco), a joint venture between Exxon, the US oil group, and China Light and Power, the Hong Kong utility controlled by the Kadoorie family, yesterday said it has successfully concluded a US$133.5m private placement of debt whose maturity spans Hong Kong's reversion to Chinese sovereignty in 1997.

Some supra-national borrowers, such as the Asian Development Bank and the World Bank, have raised debt which matures beyond 1997, as has the Mass Transit Railway Corporation, a Hong Kong government-owned corporation. But Capco is the first private sector company to tap US debt markets for funds which mature after the change-over.

Details of the transaction, which was arranged by Salomon Brothers, are sketchy. As it was a private placement the borrower does not have to disclose any information.

However, it is understood that Salomon engaged Standard and Poor's to conduct a private assessment of Capco. Standard and Poor's awarded it an A rating.

The debt, which was placed during the third week of August, attracted a yield of around 125 to 135 basis points above prevailing 10-year US Treasuries. Two tranches, of roughly equal amounts, were issued for 10 years and 15 years.

Capco originally sought US$100m, but investor interest was such that the issue was increased by 30 per cent.

Mr David Hudson, a director of Salomon in Hong Kong, said: "The popularity of the issue points to a favourable opinion of the long-term prospects of Hong Kong and bodes well for other Hong Kong issuers interested in tapping the international capital markets for long-term debt."

Mr Leonard Rubin, executive director of Exxon Energy, said the response of investors showed that they share a positive view of Capco's prospects in the long term.

Cathay Pacific blames inflation for China move

CATHAY Pacific Airways, the Hong Kong carrier which is part of the Swire group, has set up an airline information processing company in Guangzhou, capital of China's booming Guangdong province, to counter Hong Kong's high inflation rate, Reuter reports from Hong Kong.

Cathay blamed ballooning wages, rentals and other overheads for cutting profits.

It said Guangzhou had been chosen for its proximity to Hong Kong and its potential as a centre for information processing with improving communications links.

Westpac appoints consultants

By Bruce Jacques in Sydney

WESTPAC, the troubled Australian trading bank, has appointed McKinsey & Company, the international corporate consultancy, to advise it on strategy.

Announcing the appointment yesterday, Mr Frank Conroy, Westpac managing director, portrayed it as part of a new growth phase for the bank.

"We have the problem loan provisioning behind us, and with completion of the A$1.2bn (US$871.96m) rights issue on September 30, the bank's position will have stabilised," he said. "We can now devote more time to looking ahead.

"I am confident the time is right for Westpac to start looking to the future. Westpac has made major changes to its operations and staffing levels over the past three years. Our focus now is to identify potential sources of future earnings growth."

Westpac also announced that its A$1.2bn rights issue, which closed yesterday, was unlikely to have been fully subscribed. The bank will detail the size of the shortfall before trading opens in Australia today.

CS First Boston plans to exercise its right, expressed in the underwriting agreement, to seek tenders for subscriptions to outstanding entitlements at the issue price of A$3 a share. Any remaining shares will be taken up by CS First Boston or sub-underwriters.

Westpac has also launched a US$350m debenture offering in the United States. Underwritten by First Boston Corporation and Merrill Lynch, the issue is priced to yield 7.982 per cent.

● AMP Society has reduced its stake in National Australia Bank to 6.95 per cent from 8.08 per cent. AMP is Westpac's largest shareholder, with a 15 per cent interest, and also controls just under 7 per cent of ANZ Banking Group.

Jardine Strategic net profits up 7.9%

JARDINE Strategic, the chief holding company of Hong Kong trading group Jardine Matheson, yesterday unveiled a 7.9 per cent rise in net profits to US$113m for the first half to June, from $105m a year earlier, AP-DJ reports from Hong Kong.

Jardine Strategic said the profits would continue to grow at a similar rate over the rest of the year.

First-half turnover advanced 5.3 per cent to $2.4bn from $2.28bn. The directors announced that the interim dividend was being increased by 64 per cent to 5.42 US cents a share from 3.3 cents, even though earnings per share fell by 9.5 per cent to 15.23 cents from 16.83 cents.

Mr Henry Keswick, chairman, attributed the rise in earnings to the strength of the Asia-Pacific region, where most of the group's activities are concentrated.

"Jardine Strategic's balance sheet is strong and the first-half rise in the market value of its underlying holdings reflects investor appreciation of the growth potential of companies operating in the region," he said.

"Results for the full year are expected to be in line with the interim figures and the company remains confident of its future prospects," Mr Keswick concluded.

Analysts expressed little surprise at the results, explaining they were largely known once the figures for its affiliated companies' were disclosed earlier this week.

● Sun Hung Kai, a Hong Kong investment holding and securities trading company, yesterday revealed net profits 120 per cent ahead at HK$201m (US$26.00m) for the six months to June, from HK$91.4m a year earlier, AP-DJ reports from Hong Kong.

Earnings per share were also 120 per cent higher at 33 cents, compared with 15 cents, and the directors are recommending a doubled interim dividend of 10 cents a share.

Turnover rose 53 per cent to HK$464m from HK$304m.

Anglovaal falls 3% on turnover advance but raises dividend

ANGLOVAAL, one of South Africa's large mining houses, has unveiled a near 3 per cent fall in net attributable earnings to R277.7m ($97m) for the year to June, from R285.1m the year before, Reuter reports from Johannesburg.

This was despite a 6 per cent advance in turnover to R8.21bn from R7.74bn.

Earnings per share emerged 19 per cent lower at 67 cents, against 82.7 cents. However, the directors are proposing a 9 per cent increase in the annual dividend of 100 cents per share, including a final payout of 67 cents, up from 92 cents for the previous 12 months.

The directors say earnings growth in the 1992-93 financial year will be a big challenge in view of the recession, lower mineral and metal prices and inflationary pressures.

They are planning for capital expenditure of more than R1.4bn over the next three years for expansion and asset replacement, most relating to Anglovaal Industries, the group's industrial subsidiary and largest contributor to earnings in year-end results.

The directors also warned that unless there was a meaningful improvement in the rand gold price in the near-term, further retrenchments at industry and group level were likely to occur as marginal mines struggle to survive.

● Trans-Natal Coal, the South African coal mining group, may cut capital expenditure because it does not expect to maintain earnings in the year to June 1993, Reuter reports from Johannesburg.

Mr Brian Gilbertson, chairman, said in his annual report that although some of Trans-Natal's exports were already sold and the revenues covered at favourable prices and exchange rates, it would not be able to maintain its current earnings in 1992-933.

"Accordingly, consideration is being given to deferring construction of the washing facility at Koornfontein, so that total capital expenditure for the year will not exceed R200m," he said.

Attributable income rose to a record level of R143.6m in the last financial year from a previous R138.1m.

World market prospects for the current year were much less favourable, he said. The company was still negotiating a possible acquisition in Australia.

Juken Nissho to build mills in New Zealand

By Terry Hall in Wellington

JUKEN NISSHO, a Japanese forestry group, is to close its timber mills in Japan, replacing them with new facilities in New Zealand.

Over the past two years, the company has bought extensive areas of former government-owned exotic forest in the North Island.

Yesterday, Juken Nissho said it was building two mills in the Aupouri Forest in Northland, in the far north. These will cost NZ$100m (US$53.68m) and will produce sawn and laminated timber, veneer and plywood.

It is also to build a mill at Masterton, in the lower North Island, and at Gisborne, on the East Cape, in two years' time.

● Corporate Investments, a New Zealand investment holding company, yesterday announced it was selling its Allied Finance financial subsidiary for NZ$8.8m.

Corporate Investments, which owns forestry interests and Montana Wines, the country's biggest winemaker, is under intense pressure to relieve its debt. In recent weeks it has sold most of its substantial Australian and New Zealand tourism interests.

Allied Finance is being sold to Christchurch-based farming group Pyne Gould. The sale brings to NZ$14.8m the value of assets divested since July.

Recticel forced to write off BFr213m

By Andrew Hill in Brussels

RECTICEL, the Belgian manufacturer of polyurethane foam which is 60 per cent owned by Société Général de Belgique, was forced to write off BFr213m ($6.9m) in the first half of 1992 because of lingering environmental problems at companies which have since been sold.

The company, which changed its name from Gechem in June, lost BFr285m after tax and extraordinary items, compared with losses of BFr767m in the first half of 1991 when it was still consolidating 100 per cent of its US subsidiary.

However, Recticel Europe, now the main operating unit of the group, increased its net profit from BFr351m to BFr362m in the six months to June 30, on turnover of BFr15bn (BFr14.8bn).

The group said yesterday that recent restructuring at Recticel Europe – including the closure of 16 plants – had helped offset some of the effects of the poor economic climate.

Mr Luc Vansteenkiste, the group's chief executive, refused to provide more details of the environmental problems. But he said there would be no additional provisions in the second half.

Last week, Recticel announced plans to end its ill-fated expansion in the US foam market by selling most of its remaining stake in Foamex LP, its US subsidiary. The company said yesterday it hoped to break even in the full year, if extraordinary losses were excluded.

● Group net profits at Cobepa, Belgium's third-largest holding company, slipped from BFr3.44bn to BFr2.71bn in the first half of 1992. The company, 67 per cent owned by Paribas of France, said that useful comparison of the two halves was difficult because the final result depended on when gains were realised on investments. Unrealised gains increased from BFr8.9bn at the end of last year to BFr9.79bn in June 1992.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 24.09.92: Pool purchase price £/MWh	Final Prices for Trading on 27.08.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.76	17.86	17.86
0100	17.76	17.86	17.86
0130	17.71	17.86	17.86
0200	17.76	17.86	17.86
0230	17.76	17.86	17.86
0300	17.71	17.86	17.86
0330	17.71	17.86	17.86
0400	17.71	17.86	17.86
0430	17.71	17.88	17.86
0500	17.71	17.88	17.86
0530	17.70	17.76	17.76
0600	17.69	17.76	17.76
0630	17.70	17.66	17.66
0700	22.06	20.83	24.04
0730	28.20	20.83	24.02
0800	28.21	23.58	26.84
0830	28.02	25.89	29.20
0900	28.03	26.30	29.61
0930	28.04	26.33	29.61
1000	28.04	26.35	29.83
1030	28.04	26.36	29.62
1100	28.25	26.38	29.62
1130	28.07	26.41	29.66
1200	28.08	28.17	31.45
1230	28.07	28.15	31.42
1300	28.05	28.09	31.36
1330	26.22	25.92	29.13
1400	28.21	25.90	29.10
1430	26.21	24.01	27.16
1500	21.71	24.01	27.16
1530	21.71	24.01	27.16
1600	26.23	24.58	27.74
1630	26.30	24.59	27.75
1700	28.16	28.02	31.28
1730	28.15	28.02	31.27
1800	28.09	28.01	31.27
1830	28.23	23.56	26.72
1900	28.04	23.56	26.72
1930	28.09	23.56	26.73
2000	28.08	23.56	26.74
2030	28.02	23.56	26.73
2100	25.43	24.57	27.75
2130	25.43	24.57	27.76
2200	24.11	23.56	26.74
2230	23.54	22.92	26.10
2300	22.65	20.03	20.03
2330	22.06	17.86	17.86
2400	17.76	17.86	17.86

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

©NGC Settlements Limited 1992

INTERNATIONAL CAPITAL MARKETS

Tensions over ERM dominate activity in Europe

By Sara Webb in London and Patrick Harverson in New York

TENSIONS within the exchange rate mechanism of the European Monetary System dominated activity in Europe's government bond markets again yesterday.

GOVERNMENT BONDS

The French franc continued to come under heavy pressure in the foreign exchange markets, forcing the Bank of France to raise its five-to-10-day lending rate early in the day and to intervene heavily.

Trading in French and German government bonds was volatile because of uncertainty about whether the French franc would remain in the ERM or whether the Bundesbank would be forced to lower German interest rates in order to help support the French currency.

■ THE French government bond market ended the day lower as concern about the weakness of the French franc against the D-Mark prompted heavy selling by foreign investors.

The Bank of France raised its five-to-10-day lending rate to 13 per cent from 10.5 per cent in the morning and intervened heavily to keep the currency off its floor of 3.4305 to the D-Mark in the ERM. The Bundesbank also intervened to support the franc. Although it strengthened from 3.42 to 3.39 to the D-Mark, it later fell back to 3.41.

Traders believe that the recent defence of the franc may have almost depleted the foreign currency reserves at the central bank.

The yield on the 8¼ per cent government bond due 2002 opened at 8.51 per cent, and ended at 8.70 per cent. The yield spread over 10-year German government bonds widened from about 110 basis points to 125 basis points.

■ THE plight of the French franc had repercussions on the German government bond market, leading to speculation that the Bundesbank might cut interest rates in order to help prop up the French currency and ease tensions within the currency grid.

Dealers reported strong buying of short-dated bunds on the grounds that these would gain the most from a cut in German interest rates. Trading was volatile although the market ended little changed on the day. "All the trading has been currency-related ... the big questions are whether there will be an ERM realignment, a devaluation of the franc or a cut in German rates and nobody knows," said one dealer.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	105.9650	-0.660	9.06	8.90	8.40
BELGIUM		8.750	08/02	100.7500	+0.200	8.63	8.60	8.99
CANADA *		8.500	04/02	104.8800	-0.800	7.80	7.29	7.38
DENMARK		9.000	11/00	96.5750	-0.275	9.62	9.27	9.81
FRANCE	BTAN	8.500	03/97	98.9602	-0.320	8.78	8.97	9.84
	OAT	8.500	11/02	98.7800	-1.220	8.67	8.56	9.09
GERMANY		8.000	07/02	103.6650	+0.170	7.46	7.48	7.87
ITALY		12.000	05/02	91.8250	+0.075	14.00†	14.24	13.79
JAPAN	No 119	4.800	06/99	99.6662	-	4.82	4.82	4.77
	No 145	5.500	03/02	104.5301	+0.237	4.80	4.94	4.90
NETHERLANDS		8.250	08/02	102.7600	+0.230	7.83	7.88	8.31
SPAIN		10.300	06/02	86.9000	-0.200	12.69	12.31	12.33
UK GILTS		10.000	11/96	104-31	+11/32	8.54	9.89	9.78
		8.750	08/02	98-13	+20/32	8.99	9.36	9.42
		9.000	10/08	98-13	+5/32	9.19	8.96	9.15
US TREASURY *		6.375	08/02	98-21	-14/32	8.56	6.61	6.58
		7.250	08/22	97-05	-8/32	7.48	7.42	7.38
ECU (French Govt)		8.500	03/02	95.4000	-0.100	8.24	9.18	8.60

London closing *New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

The bund futures contract ended at 90.94, little changed on the opening, having traded in a range of 90.78 to 91.12.

■ UK government bonds rose by up to three-quarters of a point with the medium- and long-dated issues seeing the strongest gains.

Short-dated gilts ended virtually unchanged as dealers warned that this area of the yield curve may have been "too optimistic" about the possibility of further cuts in the UK base rate.

Index-linked gilts continued to rally on inflation worries, allowing the Bank to sell a substantial portion of its latest index-linked issue. The Bank announced a £600m tranche of 4⅝ index-linked stock due 2004 on Tuesday and dealers estimate between half and three-quarters of it may have been sold yesterday. The 2½ per cent index-linked stock due 2016 rose from 121$\frac{13}{16}$ to 122.00 by late afternoon.

Index-linked gilts have seen a strong rally since sterling was taken out of the ERM last week because investors worry that without the discipline of the ERM, the government will be under less pressure to keep inflation down.

During the current financial year the Bank has issued around £2.4 bn of index-linked gilts with a further £16bn launched in the form of fixed-income (conventional) bonds.

Among conventional gilts, the 10 per cent stock due 1994 ended unchanged at 102⅞ to yield 8.15 per cent. At the long end, the 9 per cent gilt due 2008 rose from 98$\frac{1}{16}$ to 98$\frac{13}{16}$.

■ THE Bank of Spain's announcement of new restrictions on capital movements and loans to non-residents boosted the peseta and helped to lift Spanish government bond prices initially. However, dealers reported heavy selling of the bonds later in the day leaving the market lower on the previous close.

The introduction of restrictions on capital movements is intended to prevent speculation in the currency and had the effect of pushing the peseta up to the top of the ERM.

Under the new regulations, Spanish banks lending to foreigners now have to deposit an equal sum interest-free with the Bank of Spain for a year. The 10-year bond fell from 88.20 on Tuesday to 86.30 yesterday.

■ US Treasury prices were mixed in light trading yesterday following Tuesday's big declines, with uncertainty about the European markets and the outlook for the dollar keeping many players on the sidelines.

In late trading, the benchmark 30-year government bond was down $\frac{1}{32}$ at 97$\frac{1}{32}$, yielding 7.478 per cent, and the two-year note was up $\frac{1}{32}$ at 100 to yield 3.984 per cent.

There was some early selling, especially at the long end, which followed comments from Mr David Mulford, the Treasury under-secretary, who said US officials were not concerned by the weakness of the dollar against the Japanese yen. His comments sent the dollar/yen cross-rate tumbling.

Prices recovered slightly on hopes that international investors would choose US assets as a safe haven from the upheavals afflicting European markets, but the long end lost all its gains mid-afternoon following a disappointing auction of five-year notes.

■ ITALIAN government bonds drifted lower late in the day, pulled down by profit-taking mainly in the floating rate sector.

The Italian market started on a firm note as the Bank of Italy eased at its L6,000bn repurchase tender, where the minimum rate fell two points to 16.50 per cent.

However, concern over the outcome of today's L43,000bn auction of Treasury bills pushed bond prices lower.

The benchmark May 2002 fixed rate bond (BTP) closed at 91.81 per cent, up from 91.57 per cent at the previous close.

Treasurers face a stiff test in controlling risks

Simon London on coping with volatility in the financial markets

"The smart guys were hedged already. It is a bad idea to buy insurance when your house is already burning down." – options salesman.

IF corporate treasury is concerned with the control of financial risks, recent events in the foreign exchange and money markets are providing company treasurers with a stiff test.

For one thing, the cost of failure increases dramatically during periods of financial market volatility. "At times like this you discover whether the reporting systems are working and whether there are exposures no one remembered to hedge," said the treasurer of a multinational company.

Most foreign exchange exposures faced by companies are transaction exposures, arising from trade in goods or services. However, companies which tried to hedge exposures with currency options last week found it prohibitively expensive.

The cost of currency options has risen sharply in line with the volatility of the underlying foreign exchange markets. Bankers estimated that the cost of dollar options has at least doubled in the past three months. Indeed, options specialists at large banks last week gave up trying to price many types of currency option.

An alternative, and immediately cheaper, strategy for hedging foreign exchange risk is to lock into exchange rates by buying forward currency contracts. However, many treasurers said yesterday that the direction of exchange rates was still too uncertain to justify locking in now.

"The cash cost of buying a currency forward is certainly cheaper than taking an option-based approach. But the opportunity cost of making the wrong decision could be huge at the moment. We are still too unsighted to take a clear view on exchange rates," said the treasurer of a UK oil company.

Many companies also face translation exposures, arising when the earnings of overseas subsidiaries are translated into sterling for accounting purposes. Whether these pure accounting exposures should be hedged is a matter of deep debate. Companies which do hedge on translation, including SmithKline Beecham and TI Group, hold that a predictable stream of earnings has additional value for investors.

Last week's effective devaluation of sterling will, if sustained, actually boost overseas earnings of UK companies on translation. Even so, uncertainty over the level of earnings has led some companies to look again at hedging of translation exposures.

Many companies also actively manage balance sheet assets and liabilities to take account of foreign exchange movements. A treasurer can increase balance sheet exposure to the dollar by borrowing in sterling – reducing the net sterling assets of the company – and buying dollars. If the dollar appreciates, the balance sheet will strengthen.

This kind of approach is not always popular with earnings-conscious investors: borrowing in sterling can also lead to higher interest charges, a cost which has to be taken through the profit and loss account. Companies which believe the dollar has turned said yesterday there was a case for shifting balance sheet exposures in favour of the US currency.

For outright borrowers of sterling, the question is whether to lock into interest rates now available in the forward market or wait for further base rate cuts.

Treasury sales teams at big UK banks report brisk trade from companies looking to lock-in now. For example, five-year sterling was yesterday quoted at around 8.66 per cent, as good value in the eyes of many treasurers on a long-term view.

EIB and EBRD join new wave of borrowers after turmoil

By Richard Waters

THE European Investment Bank and the European Bank for Reconstruction and Development yesterday joined the latest wave of borrowers to raise money through collared floating-rate notes, leading to warnings of oversupply in the market for this kind of paper.

INTERNATIONAL BONDS

Yesterday's two triple-A rated borrowers follow in the wake of other top-ranked issuers who came on Tuesday, led by Austria, which brought the first sovereign issue in the sector.

Austria's $400m deal, followed by a similarly-sized offer from the EIB yesterday – both of them brought by UBS Phillips & Drew – has helped to extend what had been mainly a retail market into more of an institutional one. The previous wave of dollar floaters had been dominated by subordinated bank issues and names likely to be attractive to retail investors.

The EIB's $400m issue was only the bank's second borrowing exercise since the removal of Italian withholding tax exemption, which had enabled it to borrow at abnormally cheap levels.

Yesterday's offer bore a close resemblance to other collared floaters in recent weeks. It has a minimum coupon of 5 per cent to attract investors who want a pick up over current US interest rates and a maximum of 8¼ per cent. The coupon is 25 basis points below Libor in between.

The all-in borrowing cost to the EIB was not disclosed, but one banker commented that it had probably had to pay around 50 basis points more than it would have paid before the tax change, when it could have expected to borrow at around 70 basis points below Libor. "They've had to change their [borrowing] targets substantially," this banker said.

The sudden flow of floating rate notes in the past two days, following a subdued period in the Eurobond markets owing to the turmoil in Europe's financial markets, threatens to give the market a serious case of indigestion.

While issues such as those from Austria were taken up quickly, there were reports of others being left with underwriters.

Traders pointed, for instance, to the $200m issue on Tuesday from Landeskreditbank Baden-Württemberg (LKB). The maximum coupon of 8.5 per cent was aggressively priced, traders said, leading to less interest than had been seen for some of the other issues.

Meanwhile, the Kingdom of Spain's troubled $1.5bn issue, which was priced on Tuesday after a delay of a week, settled yesterday at around its launch spread of 55 basis points over US Treasuries.

Underwriters to the issue said that the decision to increase the spread from the 45 basis points indicated when the bonds were first offered a week ago had been the only realistic way of assuring that the deal would be a success.

"There's no question of us not living up to our commitment," one underwriter said. In the changed circumstances of the past week, the issuer had no choice but to accept a higher yield to ensure a successful launch, he said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
European Inv.Bank(b)‡†	400	(b)	100.3	2002	50/20bp	UBS P&D Secs
EBRD(c)‡†	150	(c)	100.3	2002	50/25bp	CSFB
Grupo Synkro(d)†	50	8	100	1995	1/1¾	Chase Inv.Bank
SWISS FRANCS						
Inter American Dev.Bk(a)†	300	6.75	101¼	2002	-	UBS

‡Floating rate note. †Final terms. a) Non-callable. b) Coupon pays 25bp below 6-month Libor and is payable semi-annually. Minimum interest rate 5%, maximum 8.25%. Non-callable. c) Coupon pays 25bp below 6-month Libor and is payable semi-annually. Minimum interest 5%, maximum 8.25%. Non-callable. d) Payable semi-annually. Non-callable.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on September 23

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	107¾	108¼	-⅛	4.65	COPENHAGEN TEL 8 5/8 96 LFr	600	98½	99¼		9.28
ALBERTA PROVINCE 9 3/8 95	600	111½	111¾		5.24	WORLD BANK 8 96 LFr	1000	96¾	97¾		9.08
AUSTRIA 8 1/2 00	400	110¼	110⅝	-⅛	6.68	ENERGIE BEHEER 8 3/4 98 Fl	500	101½	102		8.42
BANK OF TOKYO 8 3/8 96	100	107¾	108⅝	-⅛	5.86	UNILEVER 9 00 Fl	500	106½	106¾	+2	7.91
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	70	2	5
Other Fixed Interest	10	3	2
Commercial, Industrial	384	263	778
Financial & Property	298	67	437
Oil & Gas	31	14	40
Plantations	0	0	9
Mines	34	24	91
Others	50	32	31
Totals	*877*	*405*	*1,393*

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	-	99	90	Bibby	94	+2	L5.25	-	7.4	-
100	F.P.	-	118	95	Broadgate Inv Trust	95		-	-	-	-
-	F.P.	-	33	30	Do. Warrants	33		-	-	-	-
-	F.P.	-	13	7	Dartmoor Warrants	12		-	-	-	-
-	F.P.	-	32	19	Dwyer A	19		-	-	-	-
-	F.P.	-	91	79	European Smaller Co's.	81		-	-	-	-
-	F.P.	-	23	18	Do. Warrants	19		-	-	-	-
-	F.P.	-	150	145	Finsbury Smlr Co's Zero Pf	149	-½	-	-	-	-
♠	F.P.	-	495	490	SHIRESCOT	495		-	-	-	-
■	F.P.	-	1700	1700	TR Technology Units	1700		30.15	-	2.4	-
-	F.P.	-	14	10	Throg 1000 Smlr Co's Wts	12	+1	-	-	-	-
-	F.P.	-	16	12	Yorkshire TV Warrants	13		-	-	-	-

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	110p	105½p	Fulcrum Inv Tst Zero Div Pf	108p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
115	Nil	22/10	2pm	½pm	Bibby	½pm	
5	Nil	5/10	1pm	1pm	‡Embassy Property	1pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Earnings based on preliminary figures. a Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. § Issued by way of capitalisation. † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ◊ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords. and 7 Zero Div. Prefs. and 4 Stepped Pref. shares. ♠ Units comprising 5 Ords. and 1 Warrant.

TRADITIONAL OPTIONS

- First Dealings Sept. 14
- Last Dealings Sept. 25
- Last Declarations Dec. 10
- For settlement Dec. 21

3-month call rate indications are also shown on this page.
Calls in Boulder Gold, Cluff Res., Glynwed Intl., Hanson warrants, Lucas Inds. warrants and Royal Insce. Put in Sturge.

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Alld Lyons (*640)	600	47	60	70	6	16	22
	650	15	32	43	27	40	45
	700	4½	14	25	72	75	82
ASDA (*30)	25	6½	8½	9½	1½	2	3½
	30	2½	5	6	3	4½	6
	35	1	3	4½	7	7	9
Brit. Airways (*295)	260	38	45	52	3	7½	9½
	280	22	32	39	5½	15	18
	300	10	21	29	15	25	27
SmKl Beecham A (*505)	475	41	55	-	5½	13	-
	500	23	38	49	15	23	27
	550	4½	18	25	50	52	55
Boots (*485)	460	35	48	59	7	16	21
	500	10	26	38	25	35	40
B.P (*220)	220	9½	17	21	8	14½	17½
	240	3½	8½	13	22	27	30
British Steel (*64)	60	7	9½	12	3	6½	7½
	70	3	5½	7	8	12	13
Bass (*582)	550	41	52	60	6½	20	25
	600	11	25	32	31	45	52
C & Wire (*595)	550	50	70	83	6	15	21
	600	18	38	52	21	33	42
Courtaulds (*511)	500	26	44	55	11	25	30
	550	6	21	32	42	53	58
Com. Union (*500)	500	16	33	40	16	24	33
	550	3	13	20	55	56	63
Fisons (*183)	180	17	28	35	13	24	29
	200	8½	20	26	24	36	41
GKN (*397)	390	19	34	40	8½	17	26
	420	6	19	24	27	34	43
Grand Met. (*451)	420	6	54	59	27	14	21
	460	2	28	36	65	33	38
I.C.I. (*1190)	1150	62	100	116	16	33	54
	1200	32	73	88	37	54	80
Kingfisher (*533)	500	47	64	76	6½	16	20
	550	14	35	47	27	36	42
Ladbroke (*173)	160	18	27	32	8	15	18
	180	8	18	23	19	27	29
Land Secur (*381)	360	27	33	40	2½	10	11
	390	8	15	22	16	24	26
M & S (*323)	300	28	36	44	4	9	12
	330	9	22	28	14	21	25
Sainsbury (*459)	420	46	55	63	4	8	12
	460	13	28	38	14	23	26
Shell Trans. (*529)	500	38	52	54	3	8½	17
	550	6	20	24	26	32	40
Storehouse (*156)	140	18	26	28	4	8½	10
	160	7	13	17	11	18	21
Trafalgar (*50)	50	8	12	15	4	9	11
	60	3½	7	12	10½	15	17
Utd. Biscuits (*295)	280	21	27	30	7	11	17
	300	8	16	20	17	21	29
Unilever (*1032)	1000	50	74	94	11	25	31
	1050	20	45	64	30	50	55

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Brit Aero (*112)	140	15	28	33	39	45	56
	160	7	18	23	50	65	60
	180	4	13	24	73	82	90
BAA (*695)	650	60	73	87	11	19	25
	700	30	44	58	31	40	46
	750	10	24	37	63	70	75
BAT Inds (*824)	800	55	80	87	21	30	45
	850	26	52	63	42	54	69
	900	13	34	42	77	85	100
BTR (*480)	460	34	50	55	9½	16	23
	500	13½	27	33	29	36	42
	550	3	12	16	73	74	75
Brit. Telecom (*358)	330	35	42	47	4	9	11
	360	15	22	28	12	20	23
Cadbury Sch (*451)	420	48	60	65	6	13	21
	460	20	33	42	19	30	38
Eastern Elec (*349)	330	32	40	47	6	14	17
	350	18	28	36	14	22	25
Guinness (*560)	550	37	50	60	23	30	34
	600	14	28	35	64	67	67
GEC (*233)	220	19	24	28	4	7	9
	240	7½	12½	17	12½	16	18
Hanson (*216)	200	23	26	28½	3½	5½	8½
	220	9	14½	17	9½	14	16½
LASMO (*160)	160	17	24	28	14	19	25
	180	10	17	20	28	32	37
Lucas Inds (*90)	90	8	11	14	11	15	18
	100	5	7½	11	19	22	25
P. & O. (*374)	360	38	57	60	18	25	35
	390	21	42	45	35	44	52
Pilkington (*92)	90	10	15	19	8½	12	14
	100	7	11	15	13	18	21
Prudential (*262)	260	16	24	30	10	14	18
	280	5½	15	18	23	23	30
R.T.Z. (*616)	600	40	59	66	15	25	33
	650	16	34	42	42	49	59
Scot. & New (*416)	390	42	49	55	6	11	14
	420	22	30	38	16	24	27
Tesco (*215)	200	21	28	31	5	8	11
	220	9	16	20	14	17	21
Thames Water (*417)	390	36	42	50	5	10	12
	420	15	22	32	17	22	24
Vodafone (*325)	300	39	47	53	8	16	22
	330	20	30	37	21	30	37

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Abbey Nat. (*310)	280	40	47	47	5	11	12
	300	25	32	34	10	17	19
	330	10	17	20	27	32	34
Amstrad (*28)	20	10½	11½	11½	1½	3	3½
	25	6½	8	9	3	5½	5½
	30	4½	4½	6½	4½	8	8½
Barclays (*347)	300	57	63	65	4½	11	13
	330	33	41	44	13	21	24
	360	18	26	30	27	35	40
Blue Circle (*161)	140	32	36	39	6	8½	13
	160	18	25	28	13	17	22
	180	10	16	18	26	28	31
British Gas (*242)	240	11	17½	18½	13	15	22
	260	4½	9½	11	28	29	34
Dixons (*219)	200	30	37	43	8	12	14
	220	18	26	32	16	21	23
Eurotunnel (*402)	390	47	63	72	28	38	41
	420	33	50	62	47	56	65
Glaxo (*796)	750	85	104	125	25	40	59
	800	54	77	95	46	61	70
Hillsdown (*75)	70	14	18	20	7½	12	16
	80	8½	14	16	13	17	23
Lonrho (*71)	70	8½	11½	14½	6	10	10½
	80	4½	8	10	13	16	16
HSBC (75p shs) (*404)	390	40	57	60	17	27	32
	420	25	42	46	30	42	56
National Power (*260)	260	17	24	29	13	17	20
	280	9	15	21	24	28	30
Reuters (*1215)	1200	96	130	165	60	80	84
	1250	67	105	138	90	110	110
R. Royce (*136)	130	16	20	21	5½	8½	11
	140	9½	16	16	9½	14	15
Scottish Power (*176)	170	13½	-	-	4	-	-
	180	7½	10	14	8½	12	13
Sears (*72)	70	8	10	12	7	8	10½
	80	4	6½	7½	13	14	17
Forte (*145)	150	14	22	25	13	18	25
	160	8	15	18	27	30	38
Thorn EMI (*761)	750	49	61	78	28	37	43
	800	24	38	54	58	67	70
TSB (*126)	120	14	17	20	4½	8	9½
	130	9	12	14	9½	12	16
Vaal Reefs (*533)	30	7½	8	8½	1½	3	4
	35	4½	5	5½	4	6	6
Wellcome (*955)	950	60	90	110	50	66	75
	1000	39	67	85	83	95	105

EURO FT-SE INDEX (*2577)

	2325	2375	2425	2475	2525	2575	2625	2675
CALLS								
Oct	280	233	188	143	104	70	40	22
Nov	302	256	212	173	137	105	78	52
Dec	323	-	236	-	160	-	100	-
Mar	360	-	277	-	205	-	147	-
Jun	395	-	315	-	250	-	190	-
Sep	430	-	360	-	290	-	230	-
PUTS								
Oct	9	10	15	20	30	45	70	100
Nov	18	23	25	35	45	62	83	110
Dec	20	-	32	-	53	-	90	-
Mar	37	-	50	-	73	-	108	-
Jun	47	-	65	-	85	-	120	-
Sep	50	-	80	-	100	-	130	-

FT-SE INDEX (*2577)

	2300	2350	2400	2450	2500	2550	2600	2650
CALLS								
Oct	309	260	213	168	128	90	55	32
Nov	326	282	237	195	157	122	88	62
Dec	345	300	258	217	180	145	113	85
Jan †	363	318	274	235	200	162	133	105
Jun	410	-	335	-	270	-	210	-
PUTS								
Oct	5	8	10	14	21	36	57	88
Nov	15	18	22	30	42	58	80	107
Dec	18	22	28	38	50	65	87	112
Jan †	25	30	33	43	57	73	95	120
Jun	40	-	60	-	90	-	125	-

September 23 Total Contracts 26,756
Calls 14,640 Puts 12,116
FT-SE Index Calls 2,531 Puts 6,346
Euro FT-SE Calls 308 Puts 718
*Underlying security price. † Long dated expiry mths
Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Cadburys	35	Hanson	15	Ratners	2½	Land Sec.	32
Allied-Lyons	47	Charter Cons.	44	ICI	85	Reed Intl	42	MEPC	22
Amstrad	4	Comm Union	42	Ladbroke	20	Sears	7	■ OILS	
Astec (BSR)	3½	Courtaulds	38	Legal & Gen	27	SmKl Bchm A	34	Aviva Pet	6
BAT Inds	60	Eurotunnel	32	Lex Service	19	TI	28	BP	22
BOC	49	FKI	8	Lloyds Bank	34	TSB	11½	Burmah Castrol	56
BTR	35	FNFC	6	Lonhro	8	Tesco	17	Conroy Pet	6
Barclays	26	Forte	17	Lucas Inds	11	Thorn EMI	56	Gaelic Res	½
Blue Circle	19	GKN	33	Marks Spencer	25	T & N	15	Premier Cons	2½
Boots	31	Gen Accident	40	NatWest Bank	26	Unilever	75	Shell	42
Bowater	68	GEC	17	P & O Dfd	32	Vickers	9	Tuskar Res	½
Brit Aerospace	30	Glaxo	15	Racal Elect	6	Wellcome	71	■ MINES	
British Steel	8	Grand Met	34	RHM	14	■ PROPERTY		RTZ	50
BT	25	GRE	13	Rank Org	42	Brit Land	15		

■ Over 2,000 jobs to go at Hatfield ■ Rover says it is well placed for car market upturn ■ Interim dividend is postponed

Sharp deterioration at BAe

By Jane Fuller

THE DETERIORATION in British Aerospace's operating performance caught the City by surprise. An interim loss of £129m, against a pre-tax profit of £86m a year earlier, indicated conditions had deteriorated sharply for the group.

The problem lay in commercial aircraft production with a loss of £286m (loss of £32m a year earlier). Defence raised profits to £296m (£281m), Rover trimmed its loss to £31m from £43m, the Arlington property division had a loss of £6m (loss of £5m) and construction turned in profit of £12m (£20m).

The £750m charge for reorganisation costs – or £1bn before before a tax credit – was the maximum analysts had forecast.

As provisions go, it will be one of the largest taken by a UK company.

By comparison, British Petroleum, took this summer an exceptional charge of just over £1bn for redundancy costs – covering 11,500 job losses – and asset write-downs. Barclays Bank wrote-off bad debts of £1.07bn.

In the case of BAe, however, the £750m exceptional cost to be taken in the second half will create a deficit of £746m on the company's (as opposed to the group's) profit and loss account.

This hole in the distributable reserves prevents a dividend being paid.

To restore the reserves and enable a delayed payment of the interim dividend, the group is proposing a reduction of capital.

This will involve the following cuts in surpluses in other areas of the capital and reserves that make up shareholders' funds:

● reducing the share premium account, which stood at £616m in the last set of accounts, by £599m;

● reducing the nominal amount of each ordinary share from 50p to 10p to release £151m.

The changes must be approved both by the shareholders at an extraordinary general meeting, to be held on October 19, and by the High Court.

If these approvals are obtained, BAe plans to pay a late interim dividend of 3p, cut from 8.9p.

The payment would be made next February, on the day after the announcement of the 1992 results.

The preference share dividend due on January 1 would also be delayed until then. The board's decision on the final dividend will be a separate matter.

Other parts of shareholders' funds will not be affected, namely the statutory, revaluation and capital reserves.

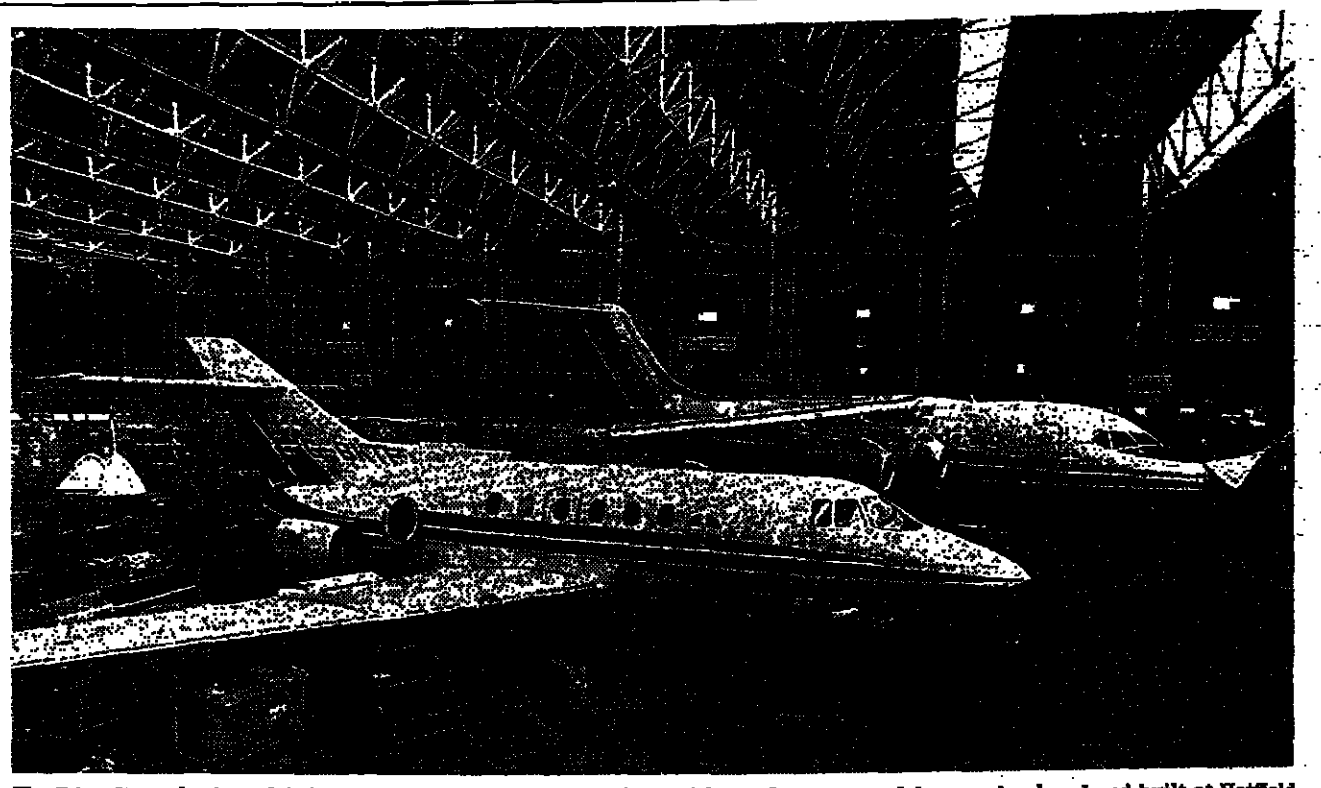
With preference share capital staying intact, the issued share capital of the group will come down from £256m to £105m. About £17m will be left in the share premium reserve.

The amount in the group's accumulated profit and loss account after the interim losses comes down to £424m.

This will leave pro forma shareholders' funds at about £1.8bn, compared with the £2.54bn quoted in yesterday's accounts, before the reorganisation provision.

Net debt on June 30 stood at £987m, made up of £1.22bn of advance payments, mainly from defence customers, and £230m of cash balances. The pro forma debt-equity ratio would be about 55 per cent.

BAe said that this level of borrowings was acceptable since working capital requirements reached a peak in the summer and the reorganisation would reduce the cash drain in the regional aircraft operation.



The BAe 125-800 business jet (foreground) and the BAe 146 regional airliner. Early 125 models were developed and built at Hatfield

Commercial aircraft cause group deficit

By Paul Betts, Aerospace Correspondent

BRITISH AEROSPACE'S commercial aircraft activities were responsible for dragging the company into the red in the first half of this year.

These operations, whose sales fell from £839m to £659m in the first six months, saw their overall losses surge from £32m to £286m at midway.

The bulk of the losses came in the BAe 146 regional jet business and the company's turbopropeller activities.

These are now at the centre of a sweeping restructuring programme involving the closure of Hatfield, the regrouping of all turbopropeller aircraft manufacturing activities at Prestwick in Scotland, and a planned joint venture with Taiwan Aerospace to take over production and marketing of BAe's new RJ family of regional jets.

The regional jet business lost £167m in the first half, while the turboprops, which include the ATP and Jetstream aircraft, lost £111m.

The regional jet and commuter turbopropeller aircraft business has been severely hit by the recession in the airline industry and the financial problems of smaller airlines.

It is also suffering from over capacity and is in the throes of growing concentration, as manufacturers scramble to forge alliances and partnerships. Production of BAe 146 regional jets has fallen from more than 30 a year to about 24 this year. Since the 146 programme was first launched in the early 1970s, a total of just over 200 aircraft have been sold.

One of the handicaps of the BAe regional jet has been its four engines at a time when the market has tended to prefer twin-engine jet aircraft. But BAe claims it has enhanced its four-engine regional jet with its new family of revamped 146s and is considering developing a twin-engine version of the aircraft.

BAe is also attempting to forge an international partnership with its preliminary agreement with Taiwan Aerospace to form a $500m joint venture which would aim to produce about 35 regional jets a year.

BAe's traditionally profitable corporate jet business, including the BAe 125-800 and the BAe 1000, also showed a small £4m loss in the first half. BAe had sought to sell a majority stake in this business. But after failing to secure a sufficiently attractive offer decided this week to retain this activity.

The company now regards its 20 per cent stake in the European Airbus programme as one of its most promising assets. BAe produces all the wings for Airbus airliners.

Although its participation in Airbus resulted in a £4m loss in the first half, the company said Airbus continued to have a strong order book with firm orders covering almost the entire production for the next two years. BAe said yesterday it anticipated Airbus to become a cash generating business by the mid-1990s.

Uncertainty hangs over vital defence side

By David White, Defence Correspondent

BRITISH Aerospace has become increasingly dependent on defence as the mainstay of its business but faces lingering uncertainties about crucial military programmes.

First half results show its defence side as an island of profit in a sea of losses. Defence activities – embracing military aircraft, missiles and the Royal Ordnance munitions and land weapons business – produced earnings before interest of £296m, up £15m from the same period last year. The only other sector in the black was construction, with a £12m profit.

Although BAe refuses to break down its figures, all the defence businesses are currently profitable, including the heavily restructured Dynamics division.

But the real core is undoubtedly its military aircraft operation based at Warton in Lancashire, now facing unresolved questions affecting both its immediate and long-term future.

BAe is counting on new orders from Saudi Arabia to keep its production of Tornado fighter-bombers at Warton going up to 1996. Tornado work on current Tornado orders has already virtually finished. Germany and Italy, the other partners have ended their programmes, and BAe has moved some work on its Hawk trainer aircraft to Warton in order to fill unused capacity.

A long-awaited Saudi deal covering 48 more Tornados and a number of Hawk aircraft, together worth several billion pounds, is still pending. BAe is confident that the Saudis' requirement will not be affected by their planned purchase of F-15 aircraft from the US.

But the Saudis are not averse to playing one supplier off against another, and it is unlikely the contract will be sealed before the F-15 deal has been cleared by the US Congress.

Supplies to Saudi Arabia under a framework deal for which BAe is prime contractor are running at £2bn a year and are presumed to be the company's biggest single profit source. BAe said a new contract should be signed by the end of the year. But then it was saying the same this time last year.

Tornado production is due to be replaced after 1996 by the European Fighter Aircraft, currently under question after Germany's rejection of the four-nation jet and its proposal to launch a less ambitious project.

Spain and Italy, the other partners could also drop out of the project as currently conceived.

Mr Dick Evans, BAe's chief executive, says the group still aims at a collaborative project, but maintains that it would be "perfectly feasible" for the UK to produce the aircraft on its own.

This, he says would save up to 30 per cent on the cost of collaborative production, and would bring the full export benefits to the UK. BAe and GEC – the other main British company with a heavy stake in EFA – are both considering the possibility of acting as risk-taking managers of the project on behalf of the UK government.

However, possible options for the future of the project will not become clear until the completion of studies by the four governments and industrial partners next month. Also in question is the future of BAe's missile division, where employment has been reduced by two-thirds in the last three years to 5,300.

Restructuring in the US – particularly the recent acquisition of General Dynamics' missile operations by Hughes Aircraft – has increased pressure for reorganising the business in Europe to enable it to compete in the world market.

Plans to merge BAe's guided weapons' interests with those of Thomson-CSF of France collapsed early last year.

Matra of France has recently been in discussions on the future of the BAe division, seeking a link-up between prime contractors which might also eventually embrace the French state-controlled company Aérospatiale. GEC might also be involved in a joint missile venture

Rover cuts losses despite poor market

By John Griffiths

ROVER GROUP, BAe's cars and Land Rover vehicles subsidiary, cut its first-half losses before interest from £43m to £31m, despite the savage recession in the UK new car market.

Although most motor industry analysts expect UK sales to remain heavily depressed for the rest of this year, and at best a marginal recovery in 1993, BAe chairman Mr John Cahill said Rover would be in a position to "come back very strongly" when the market showed an upturn.

He emphasised BAe's intention to retain the Rover business – in which Honda of Japan has a 20 per cent stake – even after the embattled aerospace group becomes entitled to sell formerly UK state-owned Rover group from August next year.

"We have no plans to sell it; we are very happy with it, and its management has done an outstanding job with it," declared Mr Cahill.

The improvement in Rover's financial performance arose from continuing cost-cutting and productivity measures, and was achieved despite a reduction in turnover from £1.863bn to £1.651bn in the first six months.

The efficiency improvements have reduced Rover's break-even to around 440,000 vehicles annually.

The break-even position last year was around 495,000 vehicles, according to Mr George Simpson, BAe's deputy chief executive and Rover's chairman.

This year's objective remains well above the informal target of 404,000 Rover had hoped to achieve by the end of 1992.

The cost savings already achieved this year should have been sufficient to reach the lower level, said Mr Simpson. However, Rover has been blown off course by the fact that the much-predicted second half upturn in the UK car market failed to materialise.

As a result, profit margins have been much reduced by the savage price war still raging in the marketplace.

Nevertheless, the benefits of the productivity measures and cost cutting would continue to lower the break-even threshhold over the coming months, insisted Mr Simpson.

Rover's first half unit sales totalled 202,000, with the second half expected to be "little better", according to Mr Simpson.

Some 45 per cent of first half sales were exports, mainly to the continental Europe. Because of the high UK content of its cars Rover's financial performance is also expected to be boosted by sterling's devaluation against continental currencies, following the pound's withdrawal from the ERM.

"Potentially, it will make a big difference", said Mr Simpson, who also expects the share of Rover's total sales taken by exports to rise slightly over the coming year.

Rover's competitive position inside the UK should also be strengthened because of the much higher import content - whether cars or components - of main rivals Ford, Vauxhall and Peugeot Talbot.

While acknowledging that Rover still had some way to go to meet Japanese efficiency levels of 45 cars per man year, he said Rover's 35 was now "a match for anyone in Europe", where the industry average is 30 cars a man year.

BAe made clear yesterday that despite the problems elsewhere in the business, there would be no let-up in investment programmes at Rover, which involve spending of £200m in each of the next two years.

Most of this would be financed by Rover itself.

Hatfield loses its heart

By Richard Evans

THE SPEED and detail of the local reaction yesterday to the BAe announcement that it intended to close its Hatfield factory by the end of next year showed the decision was not unexpected. But it still came as a numbing blow to the local workforce.

Specific plans for alleviating the difficulties of the 2,300 to be made redundant and for bringing new jobs to the area were announced by local authorities and the Hertfordshire Training and Enterprise Council (TEC) virtually immediately.

However, there was no attempt to hide the scale of the problems the local economy will now face.

"It's impossible to exaggerate the impact locally and the size of the disaster for Hatfield," said Mr David Riddell, chief executive of Welwyn Hatfield Council.

The workforce clocking on for the afternoon shift agreed. Mr Bob Cartwright, a machinist at the factory for 10 years, said the news had not been unexpected because of the steady reduction in the workforce in recent years, and the worldwide problems facing the aerospace industry.

"But it still comes as a very nasty shock. Nearly everyone you know around here works for BAe. Something like this touches every family," He said. He expects a redundancy pay-off of around £7,000 and does not want to move away from the area. A problem he shares with many others is the fall in the value of his house – by at least £20,000 to £65,000 – which reduces his job mobility.

According to the local TEC, which is putting up around £500,000 of the money targetted to alleviate the growing unemployment problems, 85 per cent of those redundant are men and over 1,000 are skilled technicians. About 40 per cent of the workforce lives in Welwyn and Hatfield, and a further 40 per cent in the rest of Hertfordshire.

The problem is that Hatfield is already a jobless blackspot, with an average unemployment level of 9 per cent, and with 17.5 per cent out of work in some areas.

British Aerospace suppliers in Hertfordshire are set to lose around £15m worth of orders a year. But the cumulative impact on the local economy is likely to be twice as high.

It is Hatfield's pride as well as its pocket that is hurt, though. The town has an unrivalled place in British aviation history having built many famous aircraft, including the wartime Mosquito fighter-bomber, the de Havilland Comet airliner and, more recently, the Trident, the 125 executive jet and the 146 regional jetliner. There were 7,500 employed at the Hatfield factory until the mid-1980s but since then the rundown has been steady.

In 1989, the weapons' operation was closed and, as the recession cut deeply into the world aviation market, the company was forced to reduce production costs to remain competitive.

There was very little criticism locally of the company. Its closure decision was seen as the inevitable result of market forces and the fall in demand for commercial aircraft.

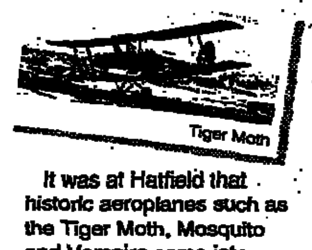
"No blame attaches to BAe. We understand the pressures they have had to face and the efforts they have made to keep the factory open," said Mr Riddell.

Where jobs will be cut

Hatfield: Six decades of aviation history

The de Havilland Aircraft Company established its headquarters in Hatfield in 1930.

The company was started 20 years earlier by Sir Geoffrey de Havilland in a rented field at Stag Lane, Edgware, north London.

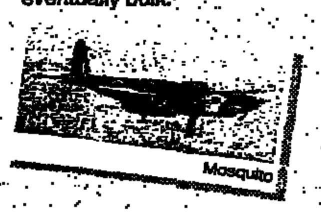


Tiger Moth

It was at Hatfield that historic aeroplanes such as the Tiger Moth, Mosquito and Vampire came into existence. But it is probably most famous for being the birthplace of the world's first jet airliner, the Comet, which entered service in 1952.

By 1934 a new factory and offices had been built at Hatfield and production of Tiger Moth trainers and Dragon light transport aircraft was under way.

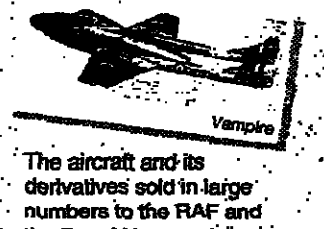
At the outbreak of war, de Havilland turned to military aircraft and created the Mosquito - a revolutionary twin-engined, high-speed fighter-bomber made of wood. Nearly 8,000 were eventually built.



Mosquito

During the post-war period the Hatfield design team worked on both civil and military projects.

One of their greatest successes was the distinctive Vampire jet fighter, distinguished by its unusual twin-boom tail.

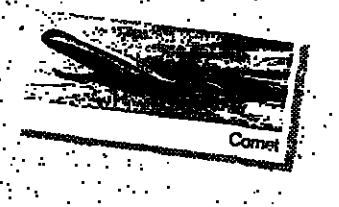


Vampire

The aircraft and its derivatives sold in large numbers to the RAF and the Royal Navy and became the first jet fighter to fly in many of the world's air forces.

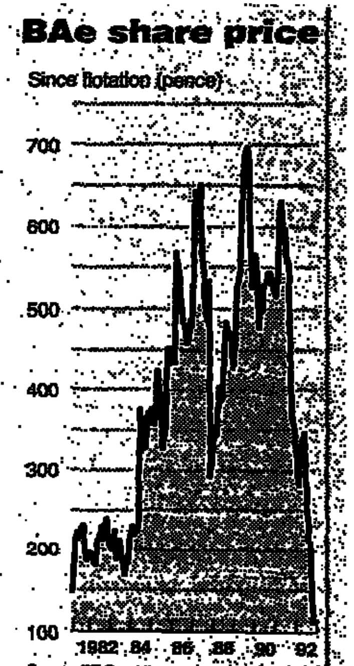
De Havilland in the UK became absorbed into today's British Aerospace via a merger in the 1960s with Hawker Siddeley. In Canada, the company's Toronto offshoot went on using the name, made famous there initially by de Havilland Canada's Chipmunk two-seat trainer.

The name survives today as a subsidiary of Bombardier, the Canadian engineering and transport conglomerate.



Comet

BAe share price



Source: FT Graphite

Taiwan Aerospace: the one-year-old with big ambitions

By Angus Foster and Luisetta Mudie in Taipei

FOR A company almost exactly one year old, Taiwan Aerospace (TAC) could be accused of running before it can walk.

Despite having less than 100 staff, invested capital of about US$200m (£120m) and only one small factory, it has been courting the world's largest aerospace companies offering fresh cash for Western technology.

Last November it reached preliminary agreement to buy 40 per cent in McDonnell Douglas' commercial aircraft division for up to US$2bn. Both sides say discussions are continuing, but observers in Taiwan say talks have stalled. Following this setback, yesterday's announcement of a 50/50 joint venture with British Aerospace's regional aircraft division gives TAC the chance to prove it is able to execute, as well as dream up, the big idea.

TAC was set up in September 1991 to negotiate joint production agreements with foreign aircraft manufacturers and link them with Taiwanese sub-contractors. The largest shareholder is the government with 29 per cent. Other shareholders include some of Taiwan's largest companies such as shipping group Evergreen and plastics giant Formosa.

But the thinking behind TAC goes back further. After Taiwan's rapid economic growth as a low cost manufacturing centre, the island lost competitiveness in the 1980s as wage and land costs increased sharply.

In an effort to upgrade its industrial base, the government designated ten strategic industries which it pledged to foster. Aerospace was one of the most important. Spurned by international arms suppliers until recently because of worries over China relations, Taiwan had already been forced to develop with foreign assistance its own military aircraft, the Indigenous Defence Fighter (IDF).

This has received mixed reviews, but the government was concerned that because its programmes were military, key aerospace-related technology was being denied the private sector.

Starting in 1990, it set up two government agencies to co-ordinate the public and private sectors and inject aerospace technology into industry. Finally, with the creation of TAC, it launched a high-profile procurer of foreign technology.

Under the memorandum of understanding signed yesterday, final assembly of BAe's RJ family will be split, initially at least, between the UK and TAC's factory in central Taiwan.

Mr Charles Masefield, president, BAe regional aircraft, said there will be "no limit" on technology transfer to Taiwan. It could include transfer of BAe's wing design aerodynamics, used on the European Airbus, as well as electronics and avionics, he said.

In return, BAe will receive about £135m for 50 per cent of the division, and access to Asia through a cheaper manufacturing base. Mr Denny Ko, president, TAC, estimated skilled Taiwan labour costs are 30 per cent below Europe. BAe said it can cut costs 20 per cent to 25 per cent by moving to Asia.

Precise details on where components will be manufactured have not been agreed. Other, cheaper Asian locations may be used.

BAe already makes undercarriage doors for the 146 aircraft in north east China. Mr Masefield said the proportion of manufacturing transferred from the UK would depend "entirely on whether it is cost effective".

The joint venture is due to begin operations on January 1 next year. Before then the two sides will decide how it is to be structured. They have agreed already, however, that marketing and support will be co-ordinated on a worldwide rather than regional basis.

Aerospace analysts in Taiwan said the joint venture was likely to be a good deal for TAC. There are fears, however, that TAC is trying again to link up with a troubled Western aerospace company.

Doubts also remain how substantial a company TAC really is. This is mainly because of the perceived failure to agree although there are fears again doubts remain about how substantial a company it is.

This is mainly because of the perceived failure to agree terms with McDonnel Douglas. Mr Ko said TAC's factory, which only recently started production of some small parts for the IDF, could quickly be expanded with up to 300 more workers.

"The advantage with BAe is that we are getting in on a deal which is on-going. That makes it easier to raise the money," he said.

Under an agreement reached when TAC was set up, shareholders are due to increase their investment by NT$4.2bn later this year, lifting TAC's capital base to NT$5.5bn.

Costain omits interim after decline to £2.5m

By Andrew Taylor, Construction Correspondent

COSTAIN, the construction group which is seeking to sell all or part of its profitable Australian coal mining business, saw pre-tax profits more than halve, from £5.7 to £2.5m, in the first half of 1992.

The group is passing its interim dividend (4.75p) after reporting losses per share of 1.3p (earnings of 1p). Turnover fell from £851.2m to £586.9m.

Costain's share price slipped a further 2p to 27p.

The figures underlined the need for the group to raise cash to reduce its borrowings which remain large despite the sale for £101m of its commercial property portfolio at the end of last year.

The group revealed yesterday that it had been approached by several parties interested in acquiring all of its Australian mining subsidiary. Previously it had announced it would be selling a stake in the business which it intended to float this year.

Group net debt at the end of June was £240m, including convertible preference shares but excluding £52m of off-balance sheet borrowings relating to the proposed Spitalfields office development in London.

If that debt is included, gearing at the end of June would have been more than 100 per cent of shareholders funds of £276m at the year end.

The Australian coal mining business is estimated to be worth about £130m but this would assume a purchaser taking on the subsidiary's local borrowings of about £40m.

A sale would substantially reduce gearing even if, as seems likely, the group has to make further provisions on its UK housebuilding operations and on its share of the troublesome Spitalfields development.

Mr Peter Costain, chief executive, said yesterday that the group would be considering what level of provisions, if any, it would need to make at the year end.

He said that UK housing and construction markets remained deeply depressed. Housing incurred a reduced loss of £2.6m against a £4.2m loss last time. Construction and engineering profits fell from £14.8m to £4.5m during the first half.

Mining profits were down from £17.2m to £14.3m. Lower profits from Australia offset improved productivity in the US, the group said.

● **COMMENT**

Without Australia to sell, Costain would be in even deeper trouble. As it is, a sale of the mining business could leave the group with gearing of anywhere between 50 per cent and 70 per cent, depending upon how the cards fall. The question then is what will the remaining businesses be worth. The group, although it will retain a small housing operation selling about 400 homes a year, is not an obvious housing recovery play. Margins in UK contracting are low at the best of times and at the moment are paper thin to non-existent. US mining has promised much but still has deliver. On the plus side the group is proving successful in overseas contracting where margins traditionally are better. Meanwhile, property provisions this year could be as high as £50m. There appears little reason to support the shares at least until Australia is sold.

Warburg closes its discount house side

By Richard Waters

SG WARBURG, the merchant banking group, is to close down the last vestiges of its discount house operation at the end of this month, further reducing the dwindling band of specialist intermediaries who play a pivotal role in the London money markets.

Discount houses are the only institutions able to deal directly with the Bank of England, making them an important link in the Bank's activities to influence money market interest rates.

Warburg merged its discount house into its gilt-edged market making business earlier this year, effectively cutting back its activities in the area, and is now to close the business entirely.

The move was prompted by the decision to merge the money market activities of Warburg Securities and SG Warburg, which has led to a review of the business.

Warburg said the business employed only one front-line trader and was not significant in the context of its main gilt-edged market making and money market activities.

● Other discount houses report that they have had a busy fortnight due to the upheaval in financial markets. Sterling's departure from the European exchange rate mechanism could prolong the life of London's discount market if it slows down or prevents sterling's participation in European monetary union.

Straying from the charted path

Michiyo Nakamoto looks at the background to Amstrad's problems

WHEN Amstrad became a public company in 1980, the UK was sliding into a recession. Despite this, the company was able to beat its forecast and raise profits by 50 per cent.

Twelve years later, as Mr Alan Sugar contemplates the possibility of taking Amstrad private again, Britain is once more in the grip of a recession.

But this time Amstrad is about to report a loss that many expect to be worse than the company has forecast, and it faces the prospect of further retrenchment in one of its biggest and most successful businesses – the personal computer market.

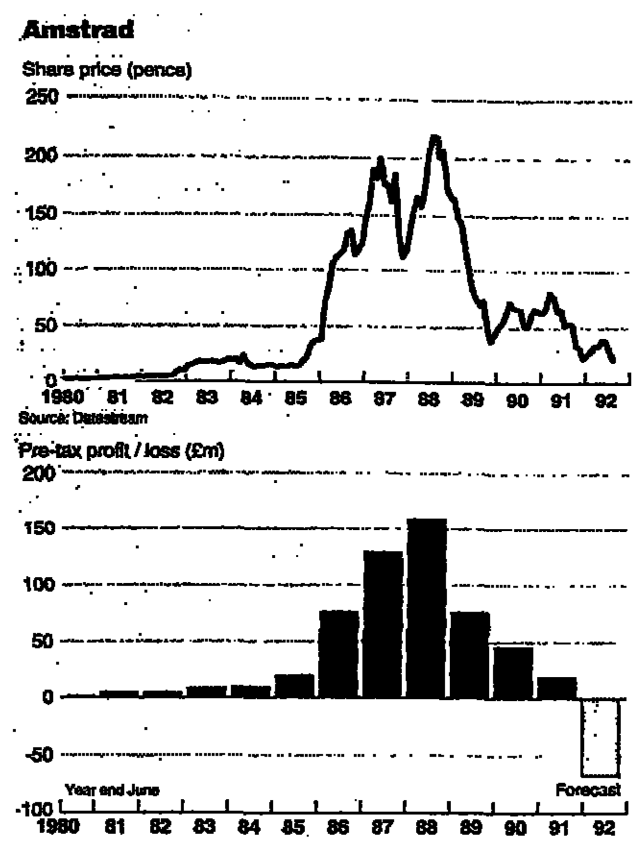
To some extent the reversal in the company's fortunes reflects the changes in the markets in which it operates.

Consumer electronics and personal computers, two markets where Amstrad has made its mark in Europe, have become so competitive that one bad mistake can send even the leading players reeling.

But the company's problems are not simply a result of the turmoil in its markets. "Amstrad is not losing money just because of the recession," as one analyst put it.

The difficulties the company finds itself in are as much symptoms of a creeping change in the way it operates. Amstrad has failed to follow its own cardinal rules that laid the foundation for its extraordinary success in the 1980s.

Mr Sugar had built Amstrad from scratch into a company with a £600m annual turnover by offering consumers product after product that were based not on any technological breakthrough but on a brilliant grasp of what they wanted.



In the late-1970s it was the Tower System which combined the amplifier, tuner and cassette deck in one unit and brought the hi-fi set to the truck driver and his wife, as Mr Sugar liked to say.

By the mid-1980s, Amstrad had moved on to personal computers and scored a coup with its low cost, one-plug, all in one PCs. As one computer success followed another and were joined by inexpensive facsimile machines, video recorders and satellite dishes, the company's profits soared to a record £160m in 1988 on turnover that peaked at £635m. Amstrad's share price climbed to a high of 233p in August 1988.

While Mr Sugar steered Amstrad to the height of its glory with one hit after another, he was always careful to ensure that the company moved out of its markets as soon as the going got rough.

"We're a very profit-oriented company and the best way to make profits is to be active in an area where no-one else is. And as soon as margins are eroded, it's time to say Sayonara," Mr Sugar once remarked.

As the company prepares to report a huge loss for the year, shareholders may be forgiven for wondering if Mr Sugar has lost his knack for reading the market.

The company has not had a big hit on the market for some time and the new offerings it has lined up do not have the same sparkle as its earlier products.

The cheap videophone and user-friendly notepad PC are fine ideas but the videophones made by the big name manufacturers are not significantly more expensive and everyone knows that prices will fall anyway within a few years.

The problem facing Amstrad is perhaps not just that it cannot come up with good ideas, but that the formula of selling easy-to-use electronics at low prices is no longer its sole preserve.

That is where the company got stuck with the PC market. Having plunged into the business, Amstrad was clobbered when it was slow in moving old products and introducing new ones.

While going private could pave the way to the more radical surgery that may be needed to nurse the company back to profitability, the view among analysts is that it may also provide an easier exit from the PC market.

The company still has a credible position in brown goods and satellite equipment which could provide profits when the upturn comes.

Geest shares fall following warning on produce prices

By Roland Rudd

GEEST, the fresh produce and prepared foods group, reported pre-tax profits slightly ahead at £15.4m, compared with £15.1m, for the first half of 1992.

However, a recent collapse in fresh produce prices led to a warning that full-year profits may be less than the £26.2m achieved in 1991.

The shares fell 36p to 362p.

A bumper crop of fresh fruit, excluding bananas, from the northern hemisphere contributed to a dramatic fall in prices in July and August.

Mr David Sugden, chief executive, said: "It is very tough now but it is going to get worse."

Imports and consumer demand for bananas rose during the period ensuring that trading profits from the fresh fruit division edged up to £11.4m (£11.3m).

Prepared foods increased trading profits to £3.71m (£3.22m). Mr Sugden said the group had identified "growing niches" to withstand the recession.

Earnings per share advanced to 15.3p (15.1p). The interim dividend is increased to 3.7p (3.6p).

● **COMMENT**

The 9 per cent fall in Geest's share price had more to do with uncertainty surrounding the total European Community banana volumes than to the price deflation affecting fresh produce. However, the unprecedented 6 per cent decline in the volume of fresh produce underlines the seriousness of the problems over the next six months. Yet this should be put in prospective. If the short-term is not looking so good the long-term looks considerably better. Geest's penetration of the EC and dollar banana markets should enable it to increase its banana sales by 60 per cent next year when the quota of EC banana volumes is expected to fall by about 16 per cent to 3.3m tonnes. With forecast pre-tax profits of £25m, giving earnings per share of 24.8p, the shares are on a prospective multiple of 12.1. In the long-term they offer good value.

Debenham Tewson in merger talks

Debenham Tewson & Chinnocks, a quoted firm of chartered surveyors, yesterday announced that it was in merger talks with Bernard Thorpe, a private surveying practice.

In a statement to the Stock Exchange, Debenham said it "would only proceed subject to satisfactory financial and other terms being agreed".

Debenham Tewson's share price rose from 42p to 49p.

Market conditions hit Woolcombers float

By Roland Rudd

WOOLCOMBERS Group, the Yorkshire wool processor, yesterday postponed its planned flotation because of unstable market conditions and the lack of liquidity in small companies.

Following the circulation of the outline prospectus on September 10, James Capel, the stockbrokers, were to announce the details of the issue yesterday.

A market value of between £35m and £40m was expected for Woolcombers, with just under £20m set to be raised via a share placing. However, not enough institutions were prepared to take the shares.

Mr Alan Lewis, chairman of Woolcombers, said: "We have just been through the most turbulent market conditions since 1987. This coupled with the lack of liquidity in the small companies sector forced us to postpone the issue."

He denied that the postponement had anything to do with the business.

Mr Lewis hopes Woolcombers will return to the stock market when conditions stabilise. However, he indicated that uncertainty in the markets could delay the planned flotation for a long time.

Woolcombers is part of the Illingworth Morris group, taken private by Mr lewis in 1989. Mr Lewis controls a string of textiles companies.

Conder Group goes into receivership

Conder Group, a Winchester-based construction group, yesterday went into administrative receivership, writes Vanessa Houlder.

Mr Alan Barrett of Price Waterhouse, who was appointed joint administrative receiver, attributed the group's financial difficulties to severe losses a year ago in its Elemeta division.

The group failed in efforts to raise additional working capital and had attempted to sell parts of the business to generate cash. Following the withdrawal of the last serious purchaser this week, the board decided it was unable to continue trading.

The group employs over 830 people.

Exploration write-off pushes Clyde into red

By Neil Buckley

CLYDE PETROLEUM, the UK independent exploration and production company, announced a net loss of £5.48m for the six months to June 30. The result was after a write-off of £7.9m from unsuccessful exploration activities.

Net profits for the first half of 1991 were £6.3m. However, the company decided from this year to write off the cost of failed exploration immediately on its profit and loss account, to give a fairer representation of its financial position. Successful exploration will continue to be capitalised and depreciated against eventual production.

Mr Malcolm Gourlay, chief executive, said this was a "half-way house" between full cost accounting, common among smaller oil companies, and successful efforts accounting, used by leading groups.

Clyde wrote off the £7.9m costs of the withdrawal from Myanmar, where it drilled a dry hole.

Mr Gourlay said earnings were in line with expectations given a "historically low" oil price of £10.59 per barrel, down from £11.38 in 1991. Although production increased from 23,651 to 26,170 barrels of oil equivalent a day, turnover fell from £44.6m to £43.7m.

Losses per share came through at 1.7p (2p earnings). Clyde confirmed it was suspending dividends to allow increased exploration spending.

Greenwell Montagu absorbed in Hongkong Bank rationalisation

By Richard Waters

JAMES CAPEL, the investment house owned by Hongkong Bank, is to absorb the private client stockbroking business of Greenwell Montagu Stockbrokers with the loss of up to 150 jobs.

The move, to take effect next January, is part of the rationalisation following the merger of Hongkong Bank and Midland.

Mr Bernard Asher, director of HSBC Holdings, said Greenwell's business was "substantial in revenue terms but not enough to make it profitable." Putting the two sides together would lead to 130-150 redundancies among Greenwell's current 220 staff, he said.

The move will in effect mark the final demise of the once-proud name of Greenwell, one of London's top brokers before Big Bang. The new business will be known as "James Capel, incorporating W Greenwell," said Mr Asher – in practice relegating the Greenwell name from view.

As part of the break-up of Greenwell, Smith Keen Cutler – a private client broking part of the group based in Birmingham – is to be sold to Allied Provincial, a stockbroker in which Capel owns 34 per cent. The smaller company and corporate finance teams of Smith Keen Cutler is to join Capel.

Dorling approaches stock market with doubled profits

By Andrew Bolger

DORLING KINDERSLEY, the international publisher which plans to publish its pathfinder prospectus for a stock market listing next month, reported a doubling of annual pre-tax profits from £3.66m to £7.5m.

Turnover grew by 66 per cent, from £42.8m to £70.9m, in the year to June 30, which the group said reflected strong performances by both its main businesses – adults' and children's illustrated reference books.

The proposed flotation, which should capitalise the company at between £75m and £100m, is expected to raise in the region of £30m, which the company plans to use to fuel its already rapid development.

The share issue is being sponsored by Barclays de Zoete Wedd with Cazenove appointed as broker.

The US is Dorling's biggest market, accounting for 32 per cent of turnover, compared with 30 per cent in the UK.

Gibbs Mew urges rejection of BIL offer

Gibbs Mew, the Salisbury-based brewer and commercial property company, yesterday posted its defence document in which it rejects the hostile 200p per share offer from a subsidiary of Brierley Investments, the New Zealand investment company, writes Peter Pearse.

The brewer, which is 59 per cent family-controlled, also announced it had conditionally agreed to acquire UK D, a wholesale distributor of alcoholic and non-alcoholic drinks for an initial £2.33m in loan notes and shares. Depending on profits in the year to April 3 1993, there is additional consideration of up to £540,000 in shares.

BIL's bid values its target at about £11m. In the statement issued today, Gibbs Mew said that the board and other members of the family controlling 55.5 per cent of the share capital intended to reject the offer.

BIL replied that the Gibbs family had attempted to present a fait accompli and had not waited for independent shareholders' views.

GM Firth

GM Firth, the steel stockholding group, has offered to sell its 23 per cent stake in steel and plastics maker Arthur Lee. The shares rose 5p to 83p, valuing Lee at £27.6m. Firth said it intends to use the proceeds to reduce debt.

Pittard Garnar advances 22% but issues warning

PITTARD GARNAR, the leather company which is on a recovery path, announced a 22 per cent jump in pre-tax profits to £1.27m for the half year to June 30.

Mr David Macdonald, chairman, admitted that the results fell short of expectations because of depressed economic conditions in the UK and the US. He attributed the pre-tax gain to continued reduction in bank debt and struck a cautious note for the second half.

Sales fell 6 per cent to £47.3m (£50.5m) on weakened demand, especially in its clothing and chamois division and shoes and leather goods. Sales at the gloving division rose to £10.5m (£9.7m) against a fall to £16.2m (£17.1m) in shoes and to £20.6m (£23.6m) in clothing.

Operating profit fell to £2.21m (£2.33m) largely due to a £200,000 loss in the clothing division (£200,000 profit).

Interest charges, however, fell to £945,000 (£1.3m). The group trimmed borrowings to £16.5m (£18.5m) for gearing of 51 per cent.

Earnings per share rose to 3.5p (2.5p) and an interim dividend of 0.5p (nil) is declared.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Barratt Devs	fin	2	Nov 20	nil	2	3.21
Britannia Group	int	nil	-	1	-	1
BAe	int	3	-	8.9	-	25
BSG Intl	int	0.7	Dec 31	0.7	-	3.2
Clarke Nickolls	int	nil	-	0.33	-	0.33
Clyde Petroleum	int	nil	-	0.5	-	1.25
Copymore §	int	1	Oct 30	1	-	2.7
Costain	int	nil	-	4.75	-	4.75
Dagenham Motors	int	1.75	Nov 18	1.75	-	5.75
Geest	int	3.7	Dec 31	3.6	-	7.9
Gent (SR)	fin	1.25	-	0.75	2	2
Headlam	int	0.75†	Nov 6	0.75	-	2.4
Henderson H'land	int	1.4‡‡	Nov 9	1.4	-	5.6
Huntleigh Tech §	int	4	Nov 2	1.75	-	4.5
I&S Optimum	int	1.85‡	Nov 6	1.8	-	7.25
ISA Intl	int	0.482	Nov 30	0.414	-	1.365
Jardine Strat	int	3.8★	Dec 1	3.5	-	10.5
Pittard Garnar	int	0.5	Jan 4	nil	-	1.5
Secure Trust	int	4	Nov 19	3.5	-	12
Spirax-Sarco	int	2.7	Dec 7	2.7	-	9
Travis Perkins	int	2.5	Nov 2	2.5	-	8

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ★US cents. ‡First interim. ‡‡Second interim making 2.8p to date.

LEGAL NOTICES

PERSONAL

Airtours pays £16m for Pickfords chain

By Michael Skapinker, Leisure Industries Correspondent

AIRTOURS, the UK's third largest tour operator, yesterday announced it had bought the Pickfords travel agency chain from NFC, the transport group, for £16m.

Mr David Crossland, chairman, said owning Pickfords would improve the distribution of his group's holidays, provide it with better market information and strengthen its presence in the south of England.

He said that if each of Pickfords' 333 branches booked one additional Airtours holiday a week, it would add £3m to the enlarged group's pre-tax profits.

Airtours would pay for the purchase from its own cash resources, Mr Crossland said.

The deal was broadly welcomed by the City, with Airtours shares rising 10p to 223p.

"It's difficult to see any major downside," said Mr Peter Joseph of Smith New Court. The only reservation might be that owning a travel agency chain with 1,700 employees would make it more difficult for Airtours to cut capacity if the market turned down.

Pickfords Travel is the UK's third biggest travel agency chain after Lunn Poly and Thomas Cook.

Mr Crossland said Pickfords' market share was 7.3 per cent, compared with 21.2 per cent for Lunn Poly and 8.7 per cent for Thomas Cook.

In the 48 weeks to September 5 this year, Pickfords made profits before tax, profit-sharing and extraordinary items of £2.9m on commissions of £51.1m generated from retail sales of £387m. It has cash balances of about £40m and is understood to have net assets of about £9m.

Pickfords sold its business travel division to Wagon-Lits last year, generating an extraordinary profit of £5.5m.

Mr Crossland said the existing Pickfords management would remain in their jobs and that Airtours did not intend to close any of the travel agency branches.

Senior members of Airtours staff had visited all the Pickfords outlets.

The company had also had a surveyor's report done on each branch.

Mr Crossland said they appeared to be in good condition but said Pickfords required increased investment in information technology. He did not yet know how much this would cost.

David Crossland: Purchase will improve distribution of holidays and strengthen presence in south of England

Overseas sales behind 11% rise at Spirax

By Andrew Bolger

SPIRAX-SARCO Engineering, the steam equipment specialist, reported an 11 per cent increase in interim pre-tax profits to £10.5m while saying there was still no sign of any improvement in trading conditions in its world markets.

The Cheltenham-based group, which makes 80 per cent of its steam-related sales outside the UK, said the effect of the recent sterling devaluation was difficult to predict, but could benefit next year's results.

The group said turnover in the six months to June 30 increased by 7 per cent to £81.4m, including a good contribution from new products. Trading profit increased by 4.6 per cent to to £11.3m, with margins slightly lower at 13.8 per cent.

The pre-tax profits figure was flattered by a drop in interest payable from £1.3m to to £798,000, although the benefit is unlikely to be as marked in the second half.

Mr Chris Tappin, executive chairman, said that in the group's principal steam speciality business, the UK market remained depressed, but a wider range of products had helped to achieve real growth in turnover and trading profits.

In continental Europe overall volume reduced, mainly due to a drop in capital expenditure by customers in France. However, orders from former eastern bloc countries increased business in Germany, and helped maintain European trading profits.

Growth in the Far East was slower than in previous years, although the company said good growth was achieved in Japan, Taiwan, Thailand and New Zealand.

Business levels remained depressed in North America, although cost controls maintained trading profits. In Argentina the company enjoyed a good increase in business but economic uncertainty reduced demand at the group's Brazilian subsidiary.

The tax charge of 42 per cent reflected the overseas contributions to profits and for the first time included £450,000 of potentially unrecoverable advance corporation tax.

Mr Tappin said positive cash flow was achieved while investment was maintained at £10m. Net borrowings fell to £16.3m (£25.6m), reducing gearing from 38 to 22 per cent.

Earnings per share emerged at 7.8p (7.4p) and the interim dividend is held at 2.7p.

Laura Ashley recovery continues

By Jane Fuller

LAURA ASHLEY Holdings, the clothes and home furnishings group that sees itself as a "lifestyle brand" rather than a retailer, more than trebled its pre-tax profit to £1.68m in the six months to July 25.

However, the interim dividend is passed again. Mr Jim Maxmin, who took over as chief executive a year ago at the group which had been losing money for three years, said: "It's too early in the recovery cycle to consider paying dividends."

Most of the group's shares are in the hands of Sir Bernard Ashley, chairman, who holds 53 per cent, and the Japanese Aeon group, which has 15 per cent.

Last year's interim figure was £528,000 on turnover of £132.2m. The reduction in sales to £115.9m was planned, Mr Maxmin said.

"The gross margin went up in every market and product category except garments in North America." That part of the business had lost £1m.

North America accounts for about a third of sales and has 196 shops. Although the retailing background was depressed, Mr Maxmin said most of the problems were self inflicted. There had been a "skills deficit" in the head office in New Jersey and it had now been moved to Boston. The new management was concentrating on basic retailing disciplines.

About 40 per cent of sales lie in the UK, where there are 175 shops. Mr Andrew Higginson, finance director, said UK garment sales had dropped by 14.5 per cent, "in line with the plan", but gross margins had only fallen by 2.4 per cent. "We have been eliminating unprofitable sales."

In the first seven weeks of the second half, sales were 15 per cent ahead of last year.

In continental Europe, where there are 65 shops and more planned, both garments and home furnishings improved sales and profits.

Associates – a US bed linen business and a joint venture in Japan – contributed £1.57m (£1.41m). Sales at Laura Ashley Japan advanced 20 per cent.

Operating profit from wholly owned activities rose to £499,000 (£383,000). Operating expenses were cut by £8.4m.

Interest payments came down to £512,000 (£1.42m) and net debt fell to £6.5m (£13.4m), gearing of about 7 per cent.

Earnings per share rose to 0.4p (0.12p), although the tax rate stayed high at 45 per cent. Mr Higginson said the tax paid on continental and associate profits represented a virtual fixed charge. As profits came back from the UK and North America, the rate would fall substantially.

Travis Perkins warns on second half

By Jane Fuller

TRAVIS PERKINS, which describes itself as equal fourth in the builders' merchant market, saw a near-4 per cent fall in pre-tax profit, from £5.47m to £5.26m, in the first half of the year.

However, Mr Tony Travis, chairman, warned that the second half might not match the first because of the cost of branch closures. Last year's pre-tax total was £14m, including £5.8m of property sales. Property was only likely to contribute £2m this year, after £720,000 (£600,000) in the first half.

Turnover slipped to £151.6m (£156.1m) and operating profit to £4.85m (£5.02m).

Mr Travis described the results as "pretty dull, but quite an achievement in the present market". The share price gained 11p to close at 144p.

The operating margin was held at 3.2 per cent, whereas the 15-year average was between 6 and 7 per cent.

A 1 per cent decline in gross margin, from 29.5 to 28.5 per cent, was offset by cuts in overheads.

The group employed 3,250 people at the end of June, 11 per cent down on June last year and 1,400 fewer than three years ago. Further jobs would be shed in the second half.

Interest payments roughly doubled to £305,000, although the group ended the first half with some cash in hand. Mr Travis said the average overdraft was between £3m and £4m. The group has had little debt since the all-paper merger of Travis & Arnold and Sandell Perkins in 1988.

The number of branches had fallen from a peak of 169 after the merger to about 145 by the end of this year. The group claims nearly 5 per cent of the national builders' merchant market, but perhaps twice that in the main regions in which it operates: London, the south and the Midlands.

Mr Travis said the 1 per cent fall in interest rates would do little to help the group this year, although it was a step in the right direction. The falling value of the pound might help reverse the decline in imported timber product prices. "As a distributor we have been living on a percentage on products that have been falling in price for two-and-a-half years."

Timber products accounted for 33.2 per cent of first-half sales. Building products' share was 38.1 per cent and plumbing and heating equipment 24.2 per cent.

Bad debt charges remained high at 1.1 per cent of credit sales (80 per cent of sales are on credit), although this was an improvement on 1.4 per cent for 1991.

Earnings per share fell to 3.6p (3.8p). The interim dividend is maintained at 2.5p.

Trafalgar House replaces BZW with UBS

Trafalgar House, the property, engineering and construction group, yesterday replaced one of its brokers Barclays de Zoete Wedd Securities with UBS Phillips & Drew, writes Roland Rudd.

BZW are financial advisers and sole brokers to Midland & Scottish Resources who have been in dispute with Trafalgar concerning the Emerald Producer offshore rig for almost a year.

Sir Eric Parker, Trafalgar's chief executive, said that since BZW had a potential conflict of interest it had been agreed that the change would be in the best interests of both parties.

Trafalgar directors claim they were told by BZW before the bid closed for Davy that there was nothing wrong with the company.

In a separate development RTZ, the mining group, has appointed Cazenove as joint broker.

Huntleigh improves strongly to £2.35m

By Peter Pearse

PROGRESS AT Huntleigh Technology, the USM-quoted medical equipment manufacturer, continued in the first half of 1992 with pre-tax profits jumping from £932,000 to £2.35m, a figure almost 2 per cent higher than the full-year outcome in 1991.

The interim dividend is more than doubled to 4p (1.75p), payable from earnings ahead to 17.02p (7.02p) per share.

Mr Rolf Schild, chairman, said the board's policy was for the total dividend to be at least 3.5 times covered.

The shares rose 38p to close at 718p.

Turnover rose 33 per cent to £13m (£9.8m), though Mr Schild said that if the activities of the recorder division – now sold and providing an exceptional credit of £120,000 – and the load cell joint venture were stripped out, the increase would have been 50 per cent.

Mr Julian Schild, the chairman's son and finance director, said the profits advance was derived from growth across all the company's markets. He described this as "unusual" – normally some grew as others slackened.

However, malpractice suits in the US – and increasingly in Europe – as well as the financial necessity for hospitals to minimise patients' stays, ensured that sales of Huntleigh's pneumatic mattresses to combat bedsores continued as the engine of growth.

In more general terms, his father ascribed Huntleigh's strength to its "narrow" product range and large volumes which allowed stocks and overheads to be reduced.

That strength was maintained in spite of the adverse dollar/sterling exchange rate.

Huntleigh is 56 per cent controlled by the Schild family and 60 per cent by the family and board.

BSG reverses trend and advances 31%

By Paul Cheeseright, Midlands Correspondent

BSG International, the Birmingham-based motor components, vehicle distribution and consumer products group, lifted pre-tax profits by 31 per cent from £6.51m to £8.57m for the first half of 1992, reversing the trend of the last two years.

The result was achieved on a reduced turnover of £297.4m compared with £287.3m. Earnings per share rose from 1.92p to 2.57p, and the interim dividend is maintained at 0.7p.

Both the profits growth and the decline in turnover followed changes in BSG's Birmingham vehicle distribution, where it has stopped fleet sales with an automatic buy-back guarantee and extricated itself from a high volume, low margin business.

At the same time the group is reducing its Birmingham sites from three to two and dropping its Iveco truck sales operation.

BSG lifted its automotive components trading profits from £3.85m to £5.45m. They increased in the UK, where the group has started supplying Japanese car manufacturers, in France and in Australia. There was a small loss, however, in the US where a new mirror plant is being built in Michigan.

Nevertheless, BSG expects US mirror turnover, on the basis of contracts already signed, to rise from $4m (£2.3m) this year to $96m in five years time.

Trading profits and turnover were lower in the consumer products division, which makes children's car safety seats, push chairs and nursery furniture. This reflected the recession but was offset partly by a strong performance in Germany.

Vardon pays £10m for eight marine centres

By Paul Taylor

VARDON, the leisure attractions group which owns the London and York Dungeons, has agreed to buy Sea Life Centres for £9.9m in cash and stock, and plans a share placement, and Stock Exchange listing, to help fund the acquisition.

Sea Life owns and operates eight marine life centres around Britain and operates the Blackpool Centre, in which it has a 50 per cent stake with First Leisure.

Vardon acquired the Dungeons in March for £5.6m from Kunick after Mr David Hudd, chairman, and Mr Nickolas Irens, chief executive and former finance director of First Leisure joined the board of Winchmore, restructured the company and changed its name.

Yesterday the group reported interim pre-tax profit of £337,000 on turnover of £639,000 for the 27 weeks to July 5 and an interim dividend of 0.25p.

Vardon is forecasting pre-tax profits of £2.3m, earnings per share of 4p, and a final dividend of 0.5p per share for the year.

Under the terms of the deal the £9.9m purchase price will be satisfied by £2.5m cash and the issue of 16.36m Vardon shares, of which 11.9m will be placed on behalf of the vendors at 45p per share.

The cash element of the purchase, together with about £1.3m of working capital for the group, will be provided through the placement of a further 11m shares in Vardon at the same price.

Jardine Strategic

Jardine Strategic, the investment holding concern of Jardine Matheson, lifted pre-tax profits for the June 30 half year to $211m (£119m) against $194m. The interim dividend is 3.8 cents (3.5 cents).

NEWS DIGEST

Secure Tst rises 10% to £3.4m

SECURE TRUST, the financial services group, recorded a 9.8 per cent jump in interim pre-tax profits despite the impact of the recession.

Profits in the six months to June 30 rose to £3.44m (£3.13m). Earnings per share rose 11 per cent to 16.1p (14.5p) and the interim dividend is increased to 4p (3.5p).

The company, which specialises in household budget management, experienced an increase in its bad debt ratio from 1 to 1.25 per cent. It also saw a reduction in its interest income, due to falling base rates, and there was no growth in the number of customers using its budgeting service because of the poor state of the economy.

These factors were more than offset, however, by selling new products, including loans to the existing customer base and by the growth of commission income resulting from the acquisition of OBC Insurance Consultants. Arbuthnot Fund Managers made a small profit.

JMD plans change of direction

JMD Group, the greeting cards maker and novelty products merchandiser, yesterday accompanied its interim results with a capital reorganisation, a move into computer and video games retailing and a change of name.

Mr Bev Ripley and Mr Terry Norris, formerly chairman and managing director of Cityvision are to join the board as executive chairman and managing director respectively.

The USM-quoted group reported pre-tax losses more than doubled in the six months to end-June, from £70,000 to £150,000.

Turnover increased from £1.15m to £1.26m. Losses per share emerged at 0.19p (0.09p).

The group plans to raise some £3.9m, net of expenses, by way of a placing and open offer of up to 32.2m new 5p shares and a subscription for a further 2.6m shares.

Under the reorganisation, shareholders will receive one consolidated ordinary share for every five existing shares held. The open offer entitles qualifying shareholders to 25 new shares for every 12 consolidated ordinary shares at 12½p apiece.

It is proposed to change the name of the company to Rhino Group.

Dagenham Motors ahead to £1.13m

Dagenham Motors, the Ford and Iveco dealer, lifted interim profits by 11 per cent "despite extremely adverse trading conditions" according to Mr David Philip, chairman.

Profits for the first half of 1992 totalled £1.13m pre-tax, up from a comparable £1.01m. Turnover improved from £61.2m to £75.6m with the new dealerships at Enfield and Stevenage contributing £13m of the rise.

The two outlets were the main factor behind a 20 per cent increase in vehicle sales. They should cover their funding costs and make a contribution to profits in the second half, Mr Philip said.

The interim dividend is held at 1.75p, payable from earnings ahead from 4p to 4.4p per share.

Britannia deficit up to £155,000

A reduced contribution from its construction activities led Britannia Group to report an increased deficit in the six months to June 30 and to pass its interim dividend.

The Cheltenham-based construction and housing company saw turnover jump from £9.17m to £15.8m partly reflecting the sale of an industrial park and improved housing sales.

Net interest charges, however, rose to £211,000 (£134,000) and the pre-tax deficit increased from £3,000 to £155,000.

Mr Chris Powell, chairman, said: "Market conditions are extremely difficult with both margins and volumes being heavily squeezed... we believe that it would be foolish to chase construction turnover and forgo profits."

He was more encouraging on prospects for the housing side, particularly in the medium and long term.

"The dramatic events of recent days have, we believe, improved the prospects for a housing recovery," he stated.

The company sold 38 units from five sites in the first half of the year; from July 1 to date another 26 have been sold.

Losses per share were 0.9p. The interim dividend is omitted (1p) as was last year's final.

Depressed house sales hit Dencora

Dencora, the property investment and development and housebuilding group, saw profits drop to just £20,000 pre-tax in the six months to June 30.

The outcome, which reflected a reduced rent roll and depressed house sales, compared with £210,000 last time.

Net interest charges amounted to £3.39m (£2.66m), none of which was capitalised. In the last full year, interest totalled £9.5m, with £3.3m capitalised and £6.2m charged to the profit and loss account.

Borrowings at the period end were £59m, down from £74m in December.

Fully diluted earnings per share dipped to 0.5p (0.9p); the company does not pay interim dividends.

Clarke Nickolls incurs £0.22m loss

Clarke Nickolls & Coombs, the property company, reported a pre-tax loss of £218,000 in the first half of 1992.

The outcome compared with a profit of £72,000 in the same period last year and a loss of £727,000 for the whole of 1991.

Gross rental income fell from £1.13m to £1.05m, income from serviced office facilities was down from £599,000 to £458,000 while income from sales of properties dived from £2.07m to £160,000.

Mr Eric Lyall, chairman, said that business confidence had ebbed further during the half year.

The group is heavily borrowed but as most of the interest is capped any rate reduction would help the group.

There is no interim dividend (0.33p).

Henderson Highland net assets lower

Henderson Highland Trust had a net asset value of 85.1p at August 31, down from 96.7p end February.

Attributable profits for the half-year to end-August amounted to £693,000 (£759,000) equivalent to earnings of 2.65p (2.91p) per share.

A second interim dividend of 1.4p makes 2.8p so far this year.

Losses mount at London Securities

London Securities, the property and investment company, announced increased losses for the six months to end-March and issued details of its proposed restructuring.

Losses before tax increased by some £1.3m to £6.55m. After a tax credit of £747,000, losses per share came out at 8.8p (8.1p).

Directors have proposed a financial restructuring by way of a two-year corporate voluntary arrangement, a capital reorganisation and an offer of new shares to shareholders to raise between £90,000 and £305,000 – partially underwritten by Mr David Pearl, chairman.

Directors said that if the reorganisation was not implemented the company would have no alternative to going into liquidation or receivership.

Following the capital reorganisation ordinary shareholders will hold one new share for every 35 held.

Preference holders will have two new ordinary shares for every seven preference shares.

A forced sale now of the group's assets would, they said, result in an overall deficit of about £13m.

As previously announced, the year end has been changed to September 30. The accounts would, therefore, cover the 18 months to September 30 1992.

Copymore slips to £506,000

Copymore, the USM-quoted office automation equipment distributor, reported pre-tax profits for the first half of 1992 down from £606,000 to £506,000, on turnover of £14.9m (£13.8m).

The profit was struck after interest payable of £218,000 (£253,000) and after tax of £182,000 (£224,000) the net balance came through at £324,000 (£382,000) – equal to earnings per share of 3p (3.5p).

The interim dividend is held at 1p - last year's total was 2.7p paid from pre-tax profits of £1.02m.

At the year end the debt/equity ratio was reduced from 95 per cent to 70 per cent and interest cover extended to 3.3 times.

Headlam more than doubled to £465,000

Headlam, the footwear and fabrics group, yesterday announced more-than-doubled interim profits and an acquisition.

Pre-tax profits for the six months to end-June advanced from £213,000 to £465,000, and came from turnover up from £11.5m to £24.1m.

The company being acquired is Minto and Turner, a Manchester-based industrial fabrics group.

The total consideration for the deal is £820,000, payable in cash, loan notes and ordinary shares.

The company has made a number of acquisitions in the period as part of its strategy of broadening its base, and Mr Graham Waldron, chairman, said further acquisitions were being sought.

The loss-making Faire Bros business has also been sold to management.

Earnings per share emerged at 1.79p (1.41p) and the interim dividend is maintained at 0.75p.

Recovery under way at SR Gent

SR Gent, the South Yorkshire-based supplier of fashion clothing to Marks and Spencer, staged a partial recovery in the 12 months to June 30.

Pre-tax profits more than doubled from a depressed £1.08m last time to £2.29m reflecting benefits of the reorganisation of production resources. Turnover edged ahead to £128m.

The outcome was also helped by interest charges reduced to £2.71m (£3.58m).

Gearing dropped from 85 per cent to 47 per cent.

The recommended final dividend is lifted to 1.25p, maintaining the total for the year at 2p, payable from earnings of 3.4p (1.3p) per share.

ISA Intl improves 28% to £1.32m

ISA International, the Bradford-based computer consumables supplier, lifted pre-tax profits by 28 per cent – from £1.03m to £1.32m – in the six months to June 30.

Mr John Parkinson, chairman, said the German and French subsidiaries "performed well in all respects" while Datarekvisita of Norway, acquired for £1.4m cash in April, was "progressing well". UK operations, the end-user division apart, had staged a recovery.

Following the Norwegian purchase and £1.1m of goodwill written off, gearing rose from about 30 per cent to 45 per cent.

Turnover advanced 45 per cent to £52.3m (£36m). Earnings per share emerged at 2.708p (1.942p) and the interim dividend goes up to 0.482p (0.414p).

COMPUTERS IN MANUFACTURING

Thursday September 24 1992

Computers have changed the face of manufacturing in the past 20 years, but often the wrong systems have been installed. New software developments now provide the opportunity to avoid previous problems, writes Andrew Baxter

Avoidable problems

THE FACTORY of the future may fast be turning into a present-day reality, but suppliers and customers in perhaps the most complex and diverse modern industrial sectors are still learning lessons from the mistakes of the past.

Computers – corporate-level mainframes, computer-aided design (Cad) in the drawing office, production control systems, manufacturing resource planning systems and much more besides – have changed the face of manufacturing over the past 20 years. Often, however, they have simply added to manufacturing's problems.

Customers on both sides of the Atlantic have bought too much equipment, believing that computer-integrated manufacturing was simply a case of giving everyone a computer screen, bought oversophisticated equipment, failed to understand the cultural implications of a computer investment or simply bought the wrong system for their needs.

Suppliers bear much of the blame. Dr Matthew Barekat, manager of the advanced manufacturing and logistics unit at Stoy Hayward Consulting, recalls a case where the supplier of software to control a batch manufacturing system tried to convince a process manufacturer, for which the system would have been totally unsuitable, to purchase the system by changing it very slightly.

Episodes like this go some way to explain the very high failure rates of, and unrealistic expectations for, computers in the manufacturing environment. At the same time, there has also been considerable dissatisfaction at board level about companies' computer investments, because they have hitherto been seen by chief executives as islands of automation that have not been linked together properly, says Mr Garreth Evans, Computervision's UK managing director.

But attitudes are now changing, just as manufacturers themselves are trying to simplify their production processes to address the big competitive challenges of the 1990s.

The move towards small, simple manufacturing cells with varying levels of automation is aimed at producing truly flexible manufacturing and sharply reducing cycle times, and manufacturers are looking for computer systems that support rather than smother the process.

And just as the recession is forcing chief executives to control capital spending tightly, bosses are at last realising that they have to become involved in the major computer decisions that might previously have been left to separate departments.

Indeed, manufacturers have to understand the need to develop a business strategy and then find the right computer system, rather than the other way round, says Mr John Crampton, a director of Ingersoll Engineers.

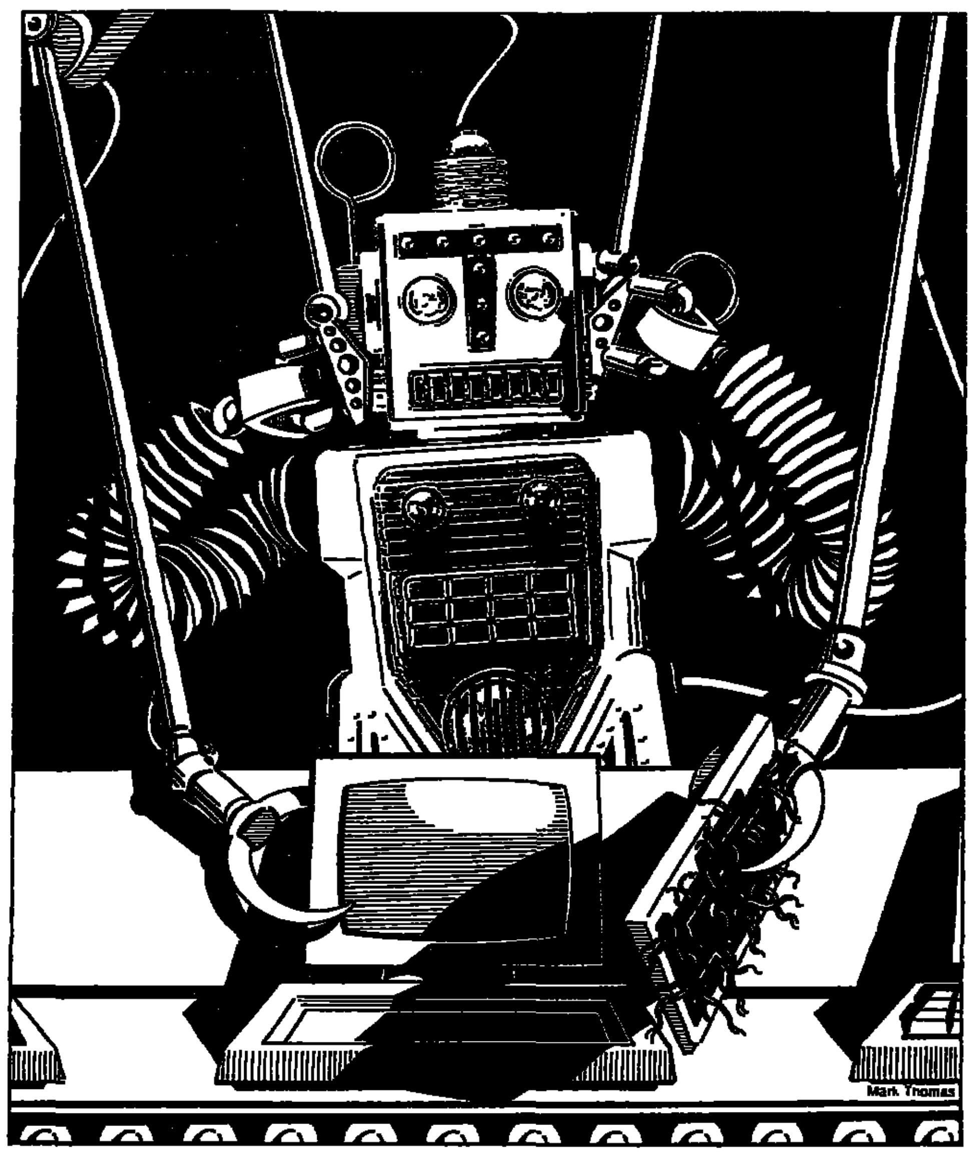
The change in attitude coincides with some important technology developments – in software at least – over the past two or three years, with more to come, that hold the key to achieving what Frost & Sullivan, the market research group, recently called "a factory in which there is computer-based, seamless integration of people functions, information technology, and manufacturing processes to achieve business objectives defined by management goals".

That is achievable now, although too many manufacturers are held back by their past mistakes, and by, for example, computer-aided engineering software that cannot communicate with a business mainframe. On Monday, however, the start of the three-day Computers in Manufacturing show at Birmingham's National Exhibition Centre will show how many of the old problems can be avoided.

Experts on the use of computers in manufacturing point to a number of significant developments over the past two to three years. The introduction of so-called fourth generation computer languages has done a great deal, says Dr Barekat, to increase computers' flexibility, and offered a real opportunity to write a new breed of software for industry.

The trend towards open systems – non-exclusive, non-proprietary standards for computer and communication environments – also offers immense opportunities for manufacturers to create effective interfaces between different elements of their computer systems. "Vendors who remain proprietorial will go to the wall – and a good thing too," says Mr Evans.

If applied correctly, such developments ought to go a long way to address what is now seen almost universally as the key challenge for major western world manufacturers in the 1990s – reducing "time-to-market" or product development times. The concept of "concurrent engineering" where all sections of a company, and often its suppliers, work in teams to develop new products, rather than taking on each task in sequence, is rapidly gaining acceptance.



Mark Thomas

Achieving it is partly a cultural issue – Japanese manufacturers have called the tune on product development times without heavy reliance on technology. The use of three-dimensional Cad, seen in the west as a prerequisite for successful concurrent engineering, is surprisingly rare in Japan.

Western companies have traditionally found the "people issues" surrounding manufacturing technology hard to handle – the "failure" of MRPII (manufacturing resources planning), one of the vogue computerised systems of the 1970s for providing company-wide production information, is widely attributed to a lack of training, or of involvement of users in the initial purchasing decision.

Hence the relatively high priority given to technology solutions. Some of the major technology contributions to reducing time-to-market are happening within discrete parts of the process. The use of parametrics, an "intelligent" system which automatically adjusts a Cad design for the change of one or more dimensions, is "taking off" says Mr Crampton, citing a manufacturing company which was able to output a design that previously took three months in three to four minutes.

Increasingly, however, manufacturers are realising the need for accurate, shared information to be available to all departments which participate in the concurrent engineering process – and external suppliers. This puts an added premium on company-wide engineering databases and data interchange, the success of which will depend crucially on open systems.

Mr Keith Nichols, director of EDS Scicon's manufacturing consultancy, says the bulk of product databases are supporting small teams, but reports considerable progress in the UK over the past three years towards what he calls the "million file challenge," an indication that the product database is broad enough for information to be truly shared.

Another problem area, he says, is in technology links with suppliers. As big manufacturers increasingly push design work out to subcontractors, the need for accurate, updated information grows. "If you freeze a supply chain now, you would find that 50 per cent of the data is out-of-date, he says."

This points up the need for electronic data interchange (EDI) links between manufacturers and subcontractors, especially when large numbers of companies are involved. AT&T Istel, for example, is working on a pilot programme with Rover which will eventually link the UK car producer with 200 suppliers via an electronic "mailbox".

The recession may have turned manufacturers into more discerning customers for computer systems, but has almost certainly increased their resolve to address the big manufacturing issues in order to survive.

The use and importance of computers also changes significantly during a recession, according to Ms Anthea Ballam of the consultants Ballam Malaguti International. The information provided by computers becomes much more valuable than in boom times when the finer points of the manufacturing control system tend to be overlooked, she says. Meanwhile, cuts in management layers have obliged managers to work across the boundaries of their sphere of operation, and acquire a more integrated picture of the whole manufacturing operation.

It is partly for these reasons, therefore, that the inevitable downturn in spending during the recession has been significantly less than for capital equipment as a whole. A survey by Benchmark Research, to be released on Monday for the CIM show, says UK industry plans to spend £1.5bn on computer-based manufacturing applications in the next 12 months, down just 4 per cent on the previous year.

The survey, encouragingly, shows that open systems are beginning to take off, with 22 per cent of manufacturing sites that have computers using open systems against 15 per cent in 1991. And 84 per cent of the 1,300 sites surveyed said the need to integrate systems was a major reason for investment.

Suppliers will be trying to address their needs in the 1990s with products that currently remain on the drawing-board. One emerging area, says AT&T Istel, is ERP or enterprise resource planning – a phrase coined by the Gartner Group, the US consultancy – which will use technologies such as artificial intelligence and relational databases to create a complete "data model" for all aspects of multi-company enterprises, including Europe's big manufacturers.

At the shopfloor level, Dr Barekat has advocated the concept of "distributed MRP," small-scale MRPII systems at manufacturing cell level, linked by a plant-wide network of PCs or workstations but giving each cell responsibility for its own scheduling. The "passive" IT users, meanwhile – accounts, sales and administrative departments – keep a conventional centralised MRPII system.

One can be fairly confident that yet more acronyms will be coined over the next few years to replace those that have fallen out of favour.

COMPUTERS IN MANUFACTURING 2

Ian Bowman on the impact of simultaneous engineering

New name for an old idea

THE FURTHER one looks into the future, the more wayward the predictions. As a result, UK, European and US manufacturing companies, with over-long development times, are delivering products that no longer meet customers' expectations when launched.

Yet, according to Computervision's 1992 manufacturing attitudes survey (carried out by Benchmark Research) cutting the time it takes to develop products was a key business issue for only 63 per cent of companies, with quality and reduced costs occupying the top positions. What has yet to be fully realised is that long development times, increased costs and poor quality go hand in hand.

Dr Nick Barter, chief engineer at Jaguar, explains the situation: "It takes European car companies six years to develop a car, while the Japanese take two years and produce more variants." The Japanese can react far quicker to customer demands and keep costs down by using new technologies and the latest production techniques. "Another advantage", says Mr Stephen Nugent of Computervision, "is that if you have only two years rather than six between models, it does not matter if you get landed with a dud."

Short product cycles also need improved quality. With a product development cycle of two years, the Japanese cannot afford the European and US luxury of 11 months to return to normal after a car launch. In short, Japan is in the driving seat on cost, quality and development time.

All businesses, not just automotive companies, face time pressures. For Rolls-Royce to stay competitive it had to cut engine development time from eight years to match Boeing's four-year airframe development. Lesser league players than the international automotive and aerospace giants also see time as a competitive pressure. As Mr Benjamin Taylor, joint managing director of probe manufacturer Renishaw, explains: "We were seeing products cost twice what they should to develop and we still did not get it right. If we can develop products quicker there is less of a problem if we get it wrong."

The obvious solution is to cut the time it takes to design new products. The question is: How?

In the past two years simultaneous (some call it concurrent) engineering has entered the industrialists' lexicon. It is a new name for an old idea. For many years companies have been using multi-disciplinary design and manufacturing teams to develop products that, in theory, meet customer and production requirements.

The difference today is the influence of the computer. While there is little doubt that the principles of simultaneous engineering can be achieved without computers, judicious use of technology is needed to reap all the potential benefits.

A premise of simultaneous engineering is that putting more effort into the concept phase of a design will reduce the number of problems experienced later when expensive tooling, components and equipment have been ordered. The assumption is that these potential design, manufacturing and material problems can be identified early on. "For many companies that is still an act of faith," claims Mr Peter Penhallow, consultant at AT&T Istel. The risk is that the concept design phase will be lengthened without any reduction of manufacturing problems, cost or time to market.

Like all techniques, total quality, just-in-time and so on, badly implemented simultaneous engineering will fail. And information on how to implement it is scarce. There are plenty of academic papers on company organisation and the team approach, but most of the practical savings will come from modifying the design to manufacturing process to make it more efficient and responsive to change.

Today, any simultaneous engineering solution involves computers. Unfortunately, if users and vendors are honest, the impact of an isolated technologies such as computer-aided design and manufacturing (Cadcam) on overall development time, product cost or total quality has been negligible. The reasons are more to do with the way these systems are used rather than the technology. A Cad system restricted to a design department will contribute little to simultaneous engineering.

However, computers have the potential to link the different functions – design with manufacturing, purchasing with engineering and so on – needed to make simultaneous engineering work. Neither organisational change or technology alone can solve the time problem. Both must operate in harmony.

Take the example of Renishaw. It operates collocated, multi-disciplinary development teams, but the actual time and cost savings achieved come from the efficient use of technology.

Renishaw's main problems occurred when products moved from being specially produced in the model shop to mass production. The solution was to eliminate the time and cost associated with prototype model building and go direct from design to manufactured part. By using a modified version of McDonnell Douglas' (now EDS) CAD system, Renishaw captures all the design and manufacturing expertise of the development teams into a CAD solid model of the part. This information is then used to program the production machines.

The writer edits Manufacturing Systems magazine

JUST-IN-TIME STOCK CONTROL

Choice not so simple

JUST-IN-TIME is Japanese, and its greatest attribute is its simplicity. Computer-integrated manufacturing is American in origin, and its curse is its complexity. And, as we all know who has been winning at manufacturing, let's dump the computers and go for just-in-time, right? If only the choice facing manufacturers were so simple, writes Colin McIlwain.

The just-in-time (JIT) philosophy has gained widespread credence in Europe over the past five years. But its emulation has often involved the intensive use of computers – in stark contrast with its original form in Japan, where JIT normally comprised an entirely manual set of techniques for optimising factory efficiency. Only now are some leading Japanese manufacturers resorting to intensive computerisation to manage the flow of work through their factories.

Mr Ernie Stene is an industry specialist at IBM's manufacturing centre at Warwick. Not surprisingly, he takes issue with the view that Japanese manufacturers have benefited from their cautious approach to computerisation.

The traditional Japanese JIT approach, based on so-called Kanban squares painted on the factory floor, has its limitations, Mr Stene says. "The principle was wonderful, but the implementation of simple Kanban neglected the need for engineering change. So we put in electronic Kanban, which was still based on an MRP schedule." MRP is the linchpin of most computerised production control systems used in Europe and North America.

"There's been a lot of mouth-music in this country about JIT, but not so much of it actually being applied," he adds.

This impression of more words than action is reinforced by Dr Dominic McKay, managing director of Fort Glasgow-based electronics fabricator Kinloch Electronics. "My feeling is there is good deal more talk than there is implementation," he says.

Kinloch uses MRP to schedule work in its own factory, and electronic data interchange (EDI) to exchange information with its bigger customers. This would not be the case at a similar plant in Japan. "Many of them produce only one product," Dr McKay says. "We have 500 different assemblies active at any one time."

As managing director of the Rover division of Redditch-based software house AT&T Istel, Mr Cliff Shuker is responsible for implementing computer-based solutions to manufacturing problems at the car group, which has embraced JIT, especially in its relations with suppliers.

"Just-in-time in the west requires greater use of computer technology, because manufacturing is less predictable," says Mr Shuker. "In Japan, you don't see much evidence of computerisation or barcoding on the shop floor: if you ask them why they are building something, they'll say: 'That's the plan'."

The location of suppliers is an issue too, according to Mr Shuker. "In Japan, they tend to be clustered around the car plant. In the UK, just-in-time deliveries may come via a warehouse close to the point of consumption. So the supply pipeline is more complex."

In the motor industry, not only are parts delivered on a just-in-time basis, but they are often automatically paid for without recourse to invoicing. "Rigorous, computer-controlled just-in-time brings with it the confidence to self-bill," says Mr Shuker.

Alan Cane on production changes to meet new market conditions

Computer begets computer

COMPUTER MAKERS are taking their own medicine and finding it efficacious. They are using their own products at every stage of the computer manufacturing process. Indeed, without the flexibility of modern computer databases, coupled to powerful minicomputers and workstations, the problems of coping with today's chaotic market conditions could be crippling.

The computer market has changed greatly in the past few years. Demand for mainframes, the workhorse of the traditional data processing business, has flattened off with serious consequences for large computer makers who derive most of their profits from mainframe systems.

At the same time, the market for smaller systems – personal computers, workstations and network computers or servers – has grown enormously. Prices have plummeted because of fierce competition and lower component costs.

In such unsettled conditions, manufacturing efficiency and flexibility are paramount. Product cycle times are reducing sharply. According to Mr John McClelland, director of manufacturing and development for International Business Machines' UK subsidiary, a product that typically took two years from initial design to launch now takes less than a year to develop.

At ICL, Mr Ian Hunt, product introduction manager, says that a new variation on a basic personal computer model can be introduced in less than three months.

Computer-aided design and manufacturing technology provide the lubricant for the most modern techniques: concurrent engineering where designers, engineers and marketing specialists work as a group on a new product. Just-in-time parts delivery is made possible by on-line, automated warehouses.

Design for manufacture is critical. Hewlett-Packard has designed computer terminals that were easy to build and cut labour and overheads at one plant by two-thirds and raw materials by half.

Computer manufacturing itself has changed markedly as proprietary designs have begun to give way to open systems built from off-the-shelf components. NCR, for example, now the computer manufacturing arm of AT&T, builds its entire product line, from notebook computers to mainframe systems, using standard Intel microprocessors.

At one time, computer cabinets could be opened to display a spaghetti-like mass of wiring (minicomputer companies have flourished in former textile towns where experience with tangled threads translated swiftly into skills with tangled wires). No longer, however; integration of components onto printed circuit boards many layers thick has often done away with the need manually to connect components together.

Computer manufacturers are becoming chiefly assemblers. They design the chips in the machines but the physical parts are made in silicon foundries

Computer manufacturers, indeed, are becoming chiefly assemblers. They may design the chips in their machines but the physical parts are made in silicon foundries – semiconductor manufacturers who will make chips in volume to order.

ICL, for example, designs the processors used in its top of the line Series 39 large mainframes, but the silicon chips are made by Fujitsu, whose semiconductor technology is second to none.

Computer makers still design their own printed circuit boards, but may neither manufacture them nor insert the electronic components. Tandem, for example, a leading manufacturer of fault-tolerant computers, sold off its board factory last year. It no longer makes economic sense to make components which can be produced more efficiently by a specialist manufacturer.

The labour content of a small computer – a personal computer or workstation – is now typically less than 5 per cent of the overall manufacturing cost.

Assembling machines as complex as computers – whether mainframe or micro – makes powerful demands on manufacturing logistics, however.

For large manufacturers IBM and ICL, the key is integrated engineering software which drives the manufacturing process. At the heart of IBM's manufacturing process, for example, is a software system called Catia (Computer Graphics Aided Three Dimensional Interactive Application), a suite of programs for design, analysis and manufacturing. It includes software for three-dimensional surface and solid modelling, drafting and numerical control programming in its extensive list of applications. Developed by Dassault of France, Catia is not only used by IBM but also marketed by the US company.

IBM commonly manufactures each product in at least three sites worldwide. The sites compete with each other to set cost and quality standards. The key to co-ordination is the integration of the engineering database. Paper has, to a large extent, been eliminated. Engineering releases – complete descriptions of parts – flow electronically from the data base to the manufacturing sites.

Parts have unique identifying numbers worldwide and are recognised as they pass along the assembly process by bar codes. The supplier side of the manufacturing process is equally automated. Customer orders arrive electronically. Invoices and bills are despatched by electronic document interchange (EDI).

ICL, for example, orders silicon chips from Texas Instruments of the US and Fujitsu of Japan through EDI messages and receives acknowledgements in a similar fashion.

The company builds only to order; nothing is made for stock which means the order book has to be forecast some 18 months into the future. In the present business climate, the order book changes daily but ICL's MRP (Materials Resource Planning) software takes the strain.

DECLINE OF THE MAINFRAME

'Server' may still have role

REPORTS of the death of the mainframe computer may be greatly exaggerated – but even at IBM, where a $60bn global empire has been built primarily by selling and supporting these centralised computer systems, the decline in the stature of the beast is readily acknowledged.

"The mainframe business isn't growing as it used to," Mr Andrew Wightman, head of IBM industrial marketing in the UK, concedes. "And that's even more true in manufacturing than it is elsewhere."

The diminishing role of the mainframe computer has been a continuous theme of the industry since the minicomputer offered an alternative 25 years ago. But the decline in its stock has accelerated sharply of late with the arrival of powerful computer workstations running on the "open" Unix operating system, and the bold assertion, by Sun Microsystems and others, that almost any size of computing requirement can now be met by a distributed network of workstations and servers.

According to Mr Wightman, the slowdown in mainframe demand from UK manufacturing industry has been hastened by special factors – most notably, the tendency of larger companies to devolve decision-making to their operating units. Information technology is normally decentralised, too – and so the importance of the central, corporate computer declines.

Mr Wightman is aware that anything he says in support of the mainframe may cast him in the role of King Canute, refusing to bow to the inevitable tide of distributed and "open" systems. "We are not trying to defend mainframes," he says cautiously. "But in our view, the pendulum has swung too far." He predicts a continued role for the mainframe as a powerful "server", supporting networks of smaller computers.

His argument is that, despite the technical performance and the cheapness of fully distributed computer systems, most organisations will need to retain central control over data, and, even more problematically, over the development and maintenance of software.

So when old hands in the computer industry hear, as they have recently, that the Post Office or the Royal Air Force is committing its vast computer requirements to run on distributed, Unix-based systems at a future date, they say: "We'll believe it when we see it."

Few manufacturing companies, in any case, are in a position to jettison their mainframe computers, even if they wanted to. "I think the mainframe computer still has a life of perhaps 10 years," says Mr Cliff Shuker, managing director of the Rover division of software house AT&T Istel.

"But its role will change. It will become a server, holding corporate data. And since its architecture is wrong for that role, we'll see a move to parallel processing machines," he adds. These mainframe computers will, observers believe, use new, so-called "massively parallel" hardware technology to process thousands of simple tasks simultaneously.

ICL's mainframe computers are being adapted to meet the demand for distributed computing

Mr Shuker thinks that even as the move to distributed computing gathers pace, the mainframe will still be needed as a central server. "As the concept of the server and the distributed network evolves there will be new issues, such as how you manage software updates and security," he says. "But I don't believe you'll ever service data adequately across a large network without a big central server."

However this need for central support cannot, Mr Shuker believes, preserve the traditional keeper of the mainframe – the central data processing department. "That will become extinct," he predicts.

Mr Tony Hoare, industrial marketing manager of UK-based but Japanese-owned computer supplier ICL, claims that a smooth evolution of the mainframe computer into the new, distributed environment is feasible. "The mainframe is still the most appropriate corporate server," he says, "while Unix machines will serve as departmental servers."

ICL is also adapting its mainframe computers to try to meet the demand for distributed computing: they will offer the facilities of the latest personal computers on their terminals, for example, and run programmes written for that linchpin of open systems, the Unix operating system.

But Mr Hoare says that these developments are intended to keep existing customers happy: mainframes are not cost-competitive, he admits, for anyone building a corporate computer system from scratch. "The mainframe market in manufacturing will become much narrower," he concedes.

Other observers are reluctant, though, to concede that the market has any future at all. "Our view is that distributed computing is the way to go," says Mr Eric Woodcock of BAeCam, the factory control business which has developed from expertise within British Aerospace.

"Manufacturing wants its computing power as close as possible to where value is added," he adds. "So distributed computing is the answer. The mainframe was never right – it was just that there was no alternative.

"There are reasons why manufacturing firms will hang on to their mainframe even if it is not the optimum solution – they have old data, old applications and security requirements to think about."

But for Mr Woodcock, recent commitments by the US Department of Defense and the UK Ministry of Defence to rely on workstations and servers for their computer requirements in the future were the writing on the wall. "The military has now accepted that these client-server systems are secure. That's just another piece of evidence that suggests the mainframe computer has no future in manufacturing control."

Colin Macilwain

The writer is features editor of The Engineer

COMPUTERS IN MANUFACTURING 3

Profile: MICHELL BEARINGS

Code saves time

THE IMPORTANCE in modern manufacturing of computer-aided design and computer-numerically controlled machining is crucial, but the link between the two is often ignored, writes Andrew Baxter.

Essentially, turning an intricate, multi-coloured Cad design into something that a CNC machine tool understands involves creating a file which can be converted into a machine control tape written in CNC code.

The problem, however, has been generating CNC code swiftly and accurately enough without increasing programming resources excessively. This is a particular concern with small batch production, where "one-offs" and "two-offs" each require a new code.

Over the past three years Newcastle-based Michell Bearings, part of the Vickers marine engineering division, has developed a solution. Michell is one of the world's leading producers of white metal bearings for marine and industrial applications – the white metal is a mainly tin-based metal lining that bears the brunt of the lubrication job.

Like Hoover in vacuum cleaners, Michell has become virtually a generic term for the "pivoting pad" bearing patented by A. G. M. Michell in 1905. Michell is particularly well-known for its thrust bearings used in arduous, heavy-duty applications such as submarines or hydro-electric power stations.

Michell would still recognise the products of a company he founded in 1920, and the commitment to pushing the frontiers of technology, but the company's current manufacturing processes and culture would startle any early-20th century engineer.

Over the past 10 years, many of Michell's old manual lathes and other machine tools have been replaced by multi-function CNC machining centres. The new machines can do the work of as many as six of their forbears, but the dramatic reductions in machining time caused an unexpected snag.

With a large part of Michell's business devoted to small batches, the company found it could not generate CNC code fast enough. "Three years ago we had 14 CNC machine tools, and for every one we saved four to eight operators," says Mr Stuart Clifford, director and general manager. "But it was costing us two programmers to support it."

The solution, developed by Mr Ray High, Michell's production engineering manager, has involved creating a database of the many possible geometric/mechanical features of a bearing, allowing a programmer to construct on screen the equivalent of a photofit picture.

As the selection of the various slots, drill holes and chamfers is inputted, and adjustments included to suit the customer's requirements, two files are simultaneously created: one to create Cad drawings, the other a "sequence file" to create a CNC code in the so-called macro format used by machine tools.

The information is stored on disc, which is inserted into the machine tool's CNC unit. In theory, therefore, a customer could give design instructions to a programmer and then watch the component being machined on the shopfloor.

Michell plans to move quickly over the next year to implement the system. Some 75-80 per cent of its products are capable of being produced this way, says Mr High.

The potential benefits in time saved are important in an increasingly competitive bearings market. Michell's delivery times used to average 22-24 weeks – and even then it was occasionally late – but now it has to deliver in eight to 10 weeks. "And these days you are not allowed to miss, so it's essential that the new system works," says Mr Clifford.

The stakes are high. Bearing producers are picking up more work from power equipment suppliers that traditionally made their own bearings, and Michell wants to continue its current progress, exploiting growth prospects in Japan, south-east Asia and Europe.

Its sales have risen 71 per cent over five years to £12-13m, due partly to a sharp rise in exports from 30 per cent of sales to 79 per cent over 10 years.

Implementation of the new process is in its early stages, but has already caused a stir. In May Michell's system was among the winners of the 1992 ECS Machinery awards for innovation sponsored by Machinery magazine and Engineering Computer Services.

Even the Japanese manufacturers of the two Tsugami machining centres fully linked to the system visited Michell to see the effects of turning a machine tool into a "factory within a factory."

The irrepressible Mr High, meanwhile, is not resting on his laurels, and is already working on even faster versions of his new system.

Profile: DUNLOP COX

A quiet revolution

THE FIRST impression on any visitor to the headquarters of Dunlop Cox is the dull thud of 400-ton presses reverberating through the building. However, Mr Ian Beattie hopes a quieter revolution at the car seat slide manufacturer will have a more lasting impact.

Mr Beattie, managing director of the Nottingham-based company whose customers include Rolls-Royce, Rover, Volvo and Nissan, has overseen a transformation in manufacturing practices and cultural attitudes which has covered everything from information technology to the adoption of Japanese methods to cut waste.

Along with many suppliers to the automotive industry, Dunlop Cox has had its ups and downs, but, when it came to replacing its former computerised batch processing system in 1990, there were special reasons for ensuring that the company made the right decision.

A difficult move from two factories into one new plant, and an underfinanced attempt to introduce just-in-time manufacturing, had turned the company into a high-risk supplier by the time BTR, the international engineering group, bought it in January 1990, says Mr Beattie.

An investment was made by BTR for additional plant, tooling and training to allow the full potential of JIT manufacture to be realised. Further improvements followed with the introduction of cell layouts, Kanban systems and other Kaizen techniques.

Thus, with a very conservative base that requires reliable and timely deliveries – at the right quality and price – any new production system had to be capable of supporting Dunlop Cox's updated and re-arranged manufacturing methods, rather than smother them.

Because stocks are low and manufacturing processes are balanced, production on an hour-by-hour basis is controlled on the shopfloor using Kanban. The computerised production control system, however, is needed to support the interface between customers, who frequently change their schedules, the production cells and the company's suppliers.

It was here that the selection of a comprehensive new computer system became a problem. Dunlop Cox had outgrown its old ICL batch processing machine, and wanted a system that could keep up with daily production of as many as 17,000 seat mechanisms and slide assemblies.

But very few system vendors, says Mr Richard Bull, production director, were able to understand the needs of real JIT manufacturing. At any time, the company has just 13-14 days of stock in the entire production process, and uses a

The new 600T Helm Press recently installed by Dunlop Cox

fairly simple system of manual controls to pull parts and products through the system.

Storage of materials between the various operations such as pressing, fabrication, painting and final assembly has been virtually eliminated, and the company does not need to know, for example, how many parts are being produced by a particular press – or where an individual item has reached in the manufacturing process, as this is controlled using the Kanban system.

Dunlop Cox has now introduced a system based on a UK-built McDonnell Douglas Series 19 superminicomputer, supporting software from Worksop-based All Business Systems and the McDonnell Douglas Information Systems Matrix package.

Matrix is an online manufacturing suite with variants available for batch, contract, repetitive and process industry needs. At Dunlop Cox, the £400,000 system is proving its worth in a number of ways; by enabling the immediate tracking of information in the receiving bay – previously it might have taken three days for the system to register receipt of a component or roll of coiled steel; by enabling real-time "backflushing" of sales, generating supplier schedules automatically; by allowing the creation of sophisticated "process routings" to replace the limited instructions available under the old system.

Not everything has gone smoothly. Transferring existing records to the new computer has not been easy, says McDonnell Douglas, while Mr Bull says it took the supplier some months to work out how to get his forward calendar to match with the system's.

Dunlop Cox is currently doubling the system's processing power but Mr John Bryant, manufacturing engineering director, says the company already has the backbone of what it needs. The system's ability to provide instantaneous access of data from the manufacturing cells will help the company's continuous improvement process and – through links with its Computervision Cadcam system – its new product development.

The company, says Mr Beattie, is no longer a high-risk supplier – a statement supported by its exclusive contract to supply seat slides for the Nissan Primera and Micra assembly plant at Washington, Tyne & Wear. Its new computer system will help it stay in its customers' good books.

Andrew Baxter

Design and manufacturing

Now 'customer power' rules

"THIS INDUSTRY has suffered because it has been more interested in providing the flashiest system than in looking after its customers," concedes the marketing director of one top computer-aided design and manufacturing (Cadcam) supplier, writes Colin Macilwain.

That is a mistake it can no longer afford. With revenues falling for the second successive year, in an industry used to double-digit growth, suppliers are scrambling to keep customers happy and defend market share. "Customer power now rules," says Mr Jon Boyce, UK marketing manager of Computervision, the Massachusetts-based company which leads the UK Cad market.

Only five years ago, use of Cad for sophisticated three-dimensional design of parts, though touted at trade shows, was rare in practice. Now it is widespread in medium and large engineering companies.

At the Hall Green, Birmingham, plant of Lucas Aerospace, full three-dimensional design and analysis is undertaken before production of the complex aluminium alloy castings which the plant makes for aircraft fuel systems.

Mr John McCart, who manages the factory, says: "In the 1970s, systems were tested in the aircraft. In the 1980s it was done on the testbed. In the 1990s it will happen on the drawing board." To take a design from concept to service, he says his military customers used to allow up to 10 years and civil customers five or six years. Now that is falling from three to two years and will be compressed still further.

Since the first use of Cad at Hall Green 10 years ago, the number of people working in the design office has fallen from 85 to 25 – with a larger throughput. And the recent adaption of 3-D design and analysis has cut development times by 40 per cent.

But new forms of computer-aided engineering now coming to the fore could have an even more dramatic impact on design practice. The most important are parametric design and knowledge-based engineering.

Broadly speaking, parametric design allows engineers to stretch and compress designs virtually at will, without having to reset dimensions individually. The technique is now offered by all major suppliers, but its use remains restricted, since designers need to adjust their ways of working to exploit it fully.

Knowledge-based engineering remains in its infancy, although a dozen or so large British engineering firms are experimenting with systems from the main specialist suppliers, ICAD and Wisdom.

While conventional Cad merely automates the designer's ability to draw straight lines and circles, knowledge-based engineering is more ambitious. By attempting to record and replicate the thought processes which a designer habitually employs, it could open the way for a far higher level of automation in the design process.

Work by Lotus Engineering at Norwich has already shown how knowledge-based engineering can enable the speedy design of car chassis parts using a process, called hydro-forming, which was once ruled out by metal-bashers as simply too difficult to design for.

But the more immediate obsession of many who use it has shifted from the technology itself to the mundane task of keeping track on the data which it generates. Most large manufacturing firms find themselves confronting a growing mountain of design data. Responsibility for every design change needs to be accurately allocated to somebody.

For the big suppliers, engineering data management is becoming as important a source of income as selling new systems. The large established suppliers all now see themselves as "strategic partners" of their customers. As Mr David Punter, marketing director of EDS Unigraphics, puts it: "The difference will be in the way the customer buys: there will be a market for commodity Cadcam, and a market for strategic partners."

Half-a-dozen established suppliers – EDS, IBM, Computervision, Intergraph, Hewlett-Packard and SDRC – hoped to secure the lion's share of this "strategic" business. But their grip is under threat from a team of Computervision defectors, who won venture capital backing to found Parametric Technology Corporation (PTC) four years ago.

PTC reckoned a parametric system designed from scratch could better exploit modern computer workstations and software development techniques. Last month, it shook the Cad world by winning a $40m order from Caterpillar, the US construction group.

Mr Andy Campbell, PTC's UK manager, claims his company will sell around 5,000 new systems worldwide this year.

However, rivals say that PTC will soon encounter the problems they face. Meanwhile, Computervision's grip on the UK Cadcam market – where PTC has made little impact so far – looks relatively secure.

COMMODITIES AND AGRICULTURE

Nine-month zinc squeeze fades in heavy trade

By Kenneth Gooding, Mining Correspondent

THE LONG-RUNNING squeeze that has supported zinc prices on the London Metal Exchange and prompted some consumers to complain that the market was out of touch with reality is fading fast.

However, traders and analysts are divided about whether the squeeze, which has been a feature of the market since the early days of this year, is over.

In heavy trading the LME's zinc market yesterday moved back into contango, where metal for immediate delivery is at a discount to material for delivery in three months. Zinc for immediate delivery closed at $1,320.50 a tonne, down $31.50, while three-month zinc was down $14 at $1,325.50.

Early in September three-month zinc reached $1,398 a tonne, its highest level for 22 months. "It would take a massive investment (by those behind the squeeze) to get the market up there again," suggested Ms Lesley Campbell, trader at Rudolf Wolff, the metal and commodities broker. She pointed out that "a return to reality" was permeating all the LME's metal markets.

However, Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, part of the Royal Dutch/Shell group, said that, while there was some panic selling of zinc yesterday, the squeeze might well reappear before the year-end.

"Uncertainty and nervousness now prevail in the market – which might be to some people's benefit. There could be more fun and games before the year is out," he said.

Traders suggested that a small number of zinc producers and one trader, reported to control between them about 1m tonnes of annual refined zinc output or about 15 to 20 per cent of the western world total, have been using options to squeeze the market.

The LME board was forced to intervene to calm the market in June by restricting the level of daily premiums that could be demanded, and subsequently warned that it continued to "closely monitor" zinc trading.

Mr Graham Deller, analyst at the Metals & Minerals Research Services consultancy group, pointed out that, even though refined zinc consumption grew by 2 per cent to 3.2m tonnes in the first seven months of 1992 while production was flat at 3.1m tonnes, stocks were at a five-year peak.

The market was likely to be oversupplied by 100,000 tonnes this year following a supply surplus of 150,000 tonnes in 1991, he suggested. "There is no shortage of metal so the price should continue to fall until producers cut back."

Others remained cautious because new labour contracts have still to be negotiated at two big Canadian smelters, Cominco's Trail (315,000 tonnes a year) and Noranda's Valleyfield (230,000 tonnes).

Demand for smelters queried

By Kenneth Gooding, Mining Correspondent

A HUGE expansion of existing copper smelting capacity planned for the next few years calls into question the need for new smelters, suggests the Metals & Minerals Research Services consultancy group.

Mr Stephen Briggs, analyst at MMRS, says the organisation has identified "well over 500,000 extra annual tonnes" of planned capacity. This compares with western world copper production of about 8.7m tonnes last year.

MMRS's comments come at a time when the spot market treatment charges for copper concentrates (an intermediate material) have been easing from a very high level caused by a temporary shortage of smelting capacity.

They also come shortly after the partners in the proposed Rayong copper smelter project in Thailand finished a "road show" seeking finance for the $480.3m venture.

Partners in the project are Padaeng of Thailand (51 per cent); three Japanese organisations – Mitsubishi Materials (13 per cent); Mitsubishi Corporation and Mitsui (7.5 per cent each) – MIM of Australia (12 per cent) and the Switzerland-based Marc Rich trading organisation (9 per cent). They want the international banking community to provide $333m in ten-year loans.

Traders suggest that western smelter charges for treating copper concentrates, which once ranged between 10 cents and 20 cents a lb, jumped to 35 cents earlier this year but have fallen considerably because spare capacity was found in the Commonwealth of Independent States and in Zambia.

For example, the Palabora copper mine in South Africa has been sending concentrates to Zambia and that country has also been treating concentrates sent by Marc Rich from Indonesia. Rich and Euromin, a trading house with offices in Stockholm and Moscow, have been having concentrates toll-smelted in the CIS where smelters in the Urals and Kazakhstan not only have excess capacity but are also eager to earn foreign currency.

Mr Briggs of MMRS says that the upsurge in expansion of existing smelter capacity has been prompted by the need for smelters to be adapted to meet ever-tightening environmental regulations. It is cost-effective to increase capacity when this is done, he points out.

MMRS also believes that the annual growth in concentrates production will be only "sedate", in spite of the large increase in mine capacity expected in the next decade, because more than half the copper will be obtained by solvent-extraction-electro winning technology which disposes with the smelting process.

India aims to boost shellac exports

By Kunal Bose in Calcutta

A PREFERENCE for natural resins from the international food, pharmaceutical and cosmetic industries has boosted the export prospects for Indian shellac, according to Mr K.B. Jayaswal, chairman of the Shellac Export Promotion Council.

The value of Indian shellac exports in 1991-92 rose by 63 per cent to Rs280m ($10m), and Mr Jayaswal believes that the 1992-93 export target of Rs335m will be easily surpassed. But if India is to take advantage of the growing demand for shellac, it must boost production.

Lac is secreted on trees by the lac insect. Last year, the production fell by over 4,000 tonnes to 10,810 tonnes. Large-scale deforestation, environmental pollution and shortage of brood-lac are blamed.

The council said the government will have to take the initiative in opening brood-lac farms in the lac growing states and distribute brood-lac free of charge among cultivators. The price of shellac has risen from Rs48,700 a tonne in 1991-93 to over Rs75,000 a tonne now.

Norway seeks to sweeten its energy policy

Karen Fossli in Oslo on moves to counter the interest in emerging oil and gas sectors

Norway is considering important energy policy changes to maintain the interest of foreign oil companies which have shown signs of turning their attention to emerging oil and gas sectors such as Vietnam, Angola and China.

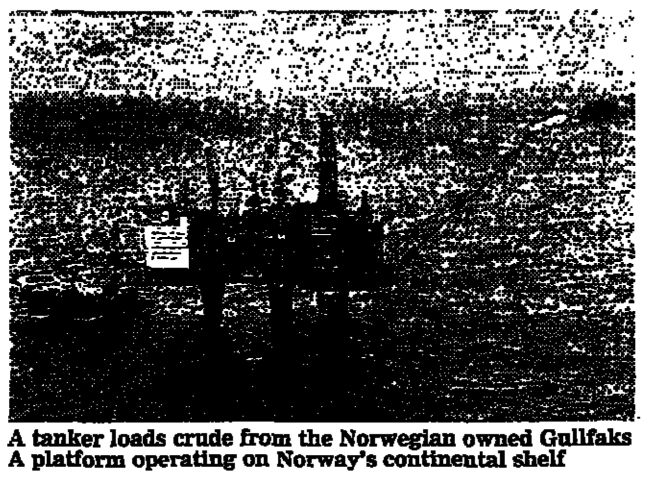
Although the government argues that operating in Norway is predictable, and risks are identified and manageable, it admits that its energy policy is outdated and needs to become more streamlined.

Even Statoil, the Norwegian state oil company, says the next phase of its development will aim at turning the company's vision of becoming a global business into reality.

Two years ago Statoil teamed up with British Petroleum (BP) to form a so-called strategic alliance covering exploration and production outside the North Sea, co-operation in gas marketing and collaboration in research and development.

Since then, Statoil and BP have pursued opportunities in the CIS, Vietnam, China, Nigeria, Congo and Angola. The pair also linked up with Norsk Hydro and established a British gas company called Alliance Gas. "Our vision is that Statoil should develop into a leading international oil company. Statoil's position in Norwegian waters gives both the company and the nation a unique base for international activity," explained Mr Harald Norvik, Statoil president and chief executive.

After more than two decades, Norway has become the fourth biggest exporter of oil in the word. Soon, oil production will



A tanker loads crude from the Norwegian owned Gullfaks A platform operating on Norway's continental shelf

reach 2.5m barrels a day while gas production, now at about 26bn cubic metres (bcm) a year, will rise sharply to between 60bcm and 65bcm a year during the next decade.

According to proven reserves' estimates, Norway can remain an oil producer for another 20 years while gas production at current levels can continue for a century.

But foreign oil companies have increasingly become circumspect about Norway's energy policy and were outraged when carbon taxes on emissions from oil and gas platforms were introduced two years ago.

Mr Finn Kristensen, Norway's energy minister, has reacted to criticism by removing the so-called carried interest obligation under which foreign oil companies had to carry the burden of the state's exploration costs.

"To increase effectiveness further, I am prepared to consider evaluating other changes in the licensing terms," said Mr Kristensen. "A more flexible system – working in both directions – for state participation would in my opinion be better than the present system."

Mr Kristensen has not, however, clarified whether he is prepared to scrap or amend the long standing sliding scale agreement, which allows the state to increase its stake in oil and gas fields once a development plan has been approved.

The Norwegian state has in the past taken a 50 per cent stake in licences during the exploration phase, but this stake can rise under the licence terms to a share of about 65 to 75 per cent during the development phase.

Statoil's president agrees with foreign oil companies that the sliding scale was appropriate when Norway was a young nation. "I would not be surprised if the government removed it . . . it probably carries too high a price tag in today's overall commercial picture," Mr Norvik said.

In the country's 13th licensing round the energy ministry awarded acreage to smaller groups of oil companies, giving them bigger individual shares of licences. This was well-received by the industry which had grown dissatisfied with sharing small slices of licences with numerous companies.

Norway recently announced 50 new blocks in the 14th licensing round and oil companies have until the turn of the year to submit applications for acreage with awards being made in the second or third quarter of 1993.

Mr Norvik argues that it is more important than ever that Norway remain attractive for exploration and production in a world where competition is increasing. "We must ensure that the leading international oil companies stay with us . . . I see no conflict between Norway's desire for a strong national industry and international companies having access to the Norwegian continental shelf," he said.

But in the 14th round, foreign oil companies will be expected to show a keen interest in acreage, a start in boosting gas reserves so that increased demand for gas from the continent can be met.

Foreign oil companies, however, have been dissatisfied with the way the state has organised gas sales. This has been done through the Gassforhandlingsutvalg (GFU) – gas negotiating committee – which is a sales team comprised of Norwegian companies Statoil, Saga Petroleum and Norsk Hydro.

The three companies negotiate gas sales contracts with potential buyers, on behalf of the owners of gas fields. Foreign oil companies have sought to be included in the gas marketing/sales strategy of GFU, but the state has always argued that Norwegian companies are better placed then foreign oil companies to serve the country's economic interests.

But Mr Kristensen says GFU was established to maintain an efficient exploitation of gas resources and that future policy should continue to be based on co-ordination. "However, I am not dogmatic about maintaining the present organisational frame," he said.

Norway's gas reserves currently cover about 12 per cent of west European demand, or one-third of European Community demand from non-EC gas producers. However, there seems to be no immediate danger of a mass exodus by foreign oil companies in hot pursuit of greater opportunities in emerging oil and gas nations.

Statoil estimates that about NKr205bn ($34bn) will be invested over the next five years to cover Norwegian oil and gas development projects that have already been approved by the parliament.

The company warns, however, that with oil prices at $20 a barrel and no real belief in sharp increases – and with the current weakness of the dollar – there is little to encourage large major capital expenditures to develop new oil fields.

Cuban sugar growers face more problems

CUBA, which in 1991-92 produced its lowest sugar crop in a decade, faces an even more difficult harvest in 1992-93, according to Mr Juan Herrera, the Cuban sugar minister, Reuter reports from Havana.

The Cuban domestic news agency AIN said Mr Herrera told Cuba's official workers' trade union that "in the coming harvest there will be even greater difficulties".

Cuba produced 7m tonnes of sugar in the 1991-92 harvest, which was plagued by shortages of oil, lubricants, spare parts, herbicides, pesticides and fertilisers. Mr Herrera said a fall in the number of available sugar cane harvesting machines would mean an increase in cane cutting by manual workers next season.

NY commodity markets fight for fresh trade

By Barbara Harrison

IN A DRIVE to boost trading volume, the New York commodities markets have launched or won approval for trading a spate of new contracts this autumn.

Many attempt to engage more international traders or address differences in US regional markets. But the success of new futures products is anything but certain. A rough industry standard is that only about one in four contracts makes it.

The New York Coffee, Sugar and Cocoa Exchange's effort to start a Euro-Differential Coffee futures last year came to an end earlier this month. The coffee market has been trading at all-time lows, and the product – launched in April 1991 – just did not catch on. The exchange puts the failure down to "bad timing".

Last week the New York Mercantile Exchange (Nymex) launched its new Gulf Coast unleaded gasoline contract. This is the second new big contract, after sour crude, launched by Nymex this year.

Nymex believes that the contract will capture more Midwest and Southwest users who must hedge. The exchange's New York Harbor delivery contract had not proved as useful to these users, given that cash prices in the Gulf Coast area differ from those of the Northeast.

Regional differences in environmental legislation could also add some allure to the Gulf contract, given that the two blends will reflect regional standards.

The Nymex New York Harbor delivery contract for unleaded gas has in any case seen increased volume this year. For the period of January to August, 4.7m contracts were traded, up from 3.6m for the same period last year.

The New York Commodity Exchange (Comex), which is increasingly competing with Nymex by creating similar contracts, is perhaps the most eager of the exchanges to boost trading volume. Primarily a precious metals market, Comex's futures trading volume this year, for January through August, is down to 7.7m contracts compared to 8.8m for the same period last year, according to figures from the Futures Industry Association.

Comex will launch futures based on the Eurotop 100 Index, under an agreement with the European Options Exchange in Amsterdam, on October 26. It hopes the contract will have some interplay with the American Stock Exchange, which will launch cash options on the the Eurotop 100 the same day.

Cutting closer into Nymex's territory, Comex has won approval from the Commodity Futures Trading Commission to trade jet fuel futures. These are expected to begin trading during the first quarter of 1993. The jet fuel contract will be for physical delivery on the Gulf Coast.

The New York Cotton Exchange is also moving ahead with the launch of its new World Cotton futures contract on October 1. The exchange is trying to address the world cotton market, where prices can diverge from those of the US.

Its existing contract is for US cotton only. The new contract, which will be cash settled, is based on Cotlook's daily survey of raw cotton from 13 countries. The daily average is made up from the five cheapest quotes.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD pushed to the day's highs around the $350 area in late afternoon trade on the London bullion market on renewed fund buying on Comex as the dollar slid to an all-time low against the yen. But producer selling continued to cap the upside, while there was no sign of the rumoured Bundesbank interest rate cut and the French Franc steadied against the D-mark in the ERM. Generally low levels of industrial demand growth in the major economies remained the main depressing factor on **BASE METAL** prices at the LME. Until this changed it was unlikely consumers would do more than satisfy immediate needs or that investors would be prepared to chase metal prices higher, traders said. **NICKEL** was steady after its fall to 2½-year lows earlier this week. But traders believed further losses were likely, and projected a move towards $6,600 a tonne for three-month metal. However, it was thought that around that level the major nickel producers would be strongly considering production cuts. London's robusta **COFFEE** closed with pared gains. Prices had been marked up early amid sentiment that some progress appeared to have been made at the ICO talks on a new pact.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$18.60-8.65z	+.075
Brent Blend (dated)	$20.40-0.60	+.125
Brent Blend (Nov)	$20.55-0.60	+.125
W.T.I (1 pm est)	$21.90-0.95z	+.050
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$218-219	
Gas Oil	$192-193	+2
Heavy Fuel Oil	$90-93	+0.5
Naphtha	$189-191	+0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$348.35	-1.50
Silver (per troy oz)♣	382.5c	+5.0
Platinum (per troy oz)	$363.2	-0.8
Palladium (per troy oz)	$91.00	-0.15
Copper (US Producer)	112.0c	-0.5
Lead (US Producer)	40.1c	
Tin (Kuala Lumpur market)	16.48r	-0.02
Tin (New York)	303.50c	-2.50
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	107.59p	-0.58*
Sheep (live weight)†♠	70.21p	-0.69*
Pigs (live weight)†	78.75p	-2.09*
London daily sugar (raw)	$226.8w	-0.9
London daily sugar (white)	$259.0w	-6.5
Tate and Lyle export price	£242.5	+2.0
Barley (English feed)	Unq	
Maize (US No 3 yellow)	£137.0	
Wheat (US Dark Northern)	Unq	
Rubber (Oct)♥	57.00p	+2.0
Rubber (Nov)♥	57.00p	+2.0
Rubber (KL RSS No 1 Jul)	219.5m	
Coconut oil (Philippines)§	$500.0y	
Palm Oil (Malaysian)§	$375.0y	-15.0
Copra (Philippines)§	$320.0	
Soyabeans (US)	£150.0w	+1.0
Cotton "A" Index	56.60	-0.10
Wooltops (64s Super)	408p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Oct/Dec w-Sep/Oct y-Nov/Dec u-Oct. z-Nov. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam ♣ Bullion market close m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Oct	195.00	194.80	194.60	194.20
Dec	191.00	191.00	190.60	
Mar	196.00	194.00	195.40	195.20
May	198.00	195.00	197.80	197.40
White	Close	Previous	High/Low	
Dec	55.90	255.00	55.80	54.00
Mar	56.40	255.50	56.40	54.20
May	57.30	257.00	57.00	55.10
Aug	61.40	262.00	61.00	59.50
Oct	50.40	261.50	49.50	46.70
Dec	51.20		49.50	

Turnover: Raw 362 (556) lots of 50 tonnes White 1042 (1474) Paris- White (FFr per tonne): Dec 1319.41 Mar 1350.39

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Nov	20.65	20.42	20.70	20.38
Dec	20.63	20.40	20.67	20.38
Jan	20.54	20.32	20.56	20.31
Feb	20.39	20.18	20.43	20.17
Mar	20.27	20.01	20.28	20.02
IPE Index	20.41	20.27	20.41	

Turnover 23486 (16925)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Oct	190.25	188.50	190.50	188.00
Nov	194.25	192.50	194.25	192.00
Dec	196.50	194.75	196.50	194.25
Jan	196.50	195.25	196.75	194.75
Feb	193.00	191.75	193.00	192.00
Mar	186.50	186.00	186.50	186.00
Apr	182.00	181.25	182.50	182.00
May	179.00	178.00	180.25	179.00
Jun	178.00		178.75	

Turnover 13156 (12506) lots of 100 tonnes

WOOL

Sterling devaluation raised imported wool costs overnight but in Australian cents the market remained steady last week and into this week. The AWC market indicator was only very slightly lower at 532 cents a kg. on September 23, compared with 542 a week before. Business in the UK did not improve significantly ahead of last week's enforced departure from the ERM constraints, and buyers now remain very wary. The accompanying sterling depreciation against the US and Australian dollar is keeping prices rising but there are stocks which some are willing to use to keep price rises in check.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Sep	650	645	642	637
Dec	680	661	667	652
Mar	687	692	697	682
May	705	711	715	702
Jul	724	730	725	720
Sep	737	746	742	737
Dec	764	771	774	763
Mar	793	799	797	790

Turnover: 3864 (9015) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 22 758.80 (760.27) 10 day average for Sep 23 771.17 (774.56)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Sep	800	794	810	800
Nov	813	804	825	811
Jan	820	810	828	818
Mar	827	820	835	826
May	828	820	835	825
Jul	833	832	836	834

Turnover:4274 (3756) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 23: Comp. daily 48.85 (49.01) 15 day average 46.71 (46.53)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	62.0	62.5	65.0	61.5

Turnover 251 (125) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne	
	Close	Previous	High/Low	
Oct	134.50	134.00	135.00	134.50

Turnover 425 (24) lots of 20 tonnes.

FREIGHT – London FOX			$10/Index point	
	Close	Previous	High/Low	
Sep	1051	1054	1062	1050
Oct	1115	1135	1130	1115
Nov	1130	1150	1145	1130
Jan	1160	1175	1165	1160
Apr	1220	1235	1225	1220
Jul	1076	1086	1077	1066
Oct	1275	1280	1275	1261
BFI	1054	1054	1054	

Turnover 379 (372)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Sep	119.00	116.75	119.00	118.00
Nov	119.10	118.65	119.25	118.80
Jan	122.35	122.00	122.75	122.20
Mar	125.45	125.10	125.50	125.25
May	128.60	128.50	128.75	128.55
Barley	Close	Previous	High/Low	
Sep	114.00		114.00	113.75
Nov	116.10	115.65	116.25	116.10
Jan	120.00	119.65	120.25	120.00
Mar	123.00	122.80	123.20	123.00

Turnover: Wheat 422 (365), Barley 310 (290).
Turnover lots of 100 Tonnes.

PIGS – London FOX			(Cash Settlement) p/kg
	Close	Previous	High/Low
Nov	105.0	-	105.0
Mar	103.0	-	102.0
May	104.0	-	103.0

Turnover:17 (18) lots of 3,250 kg

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 29,965 lots	
Cash	1264-5	1264-5	1257	1257-7.5		
3 months	1288-8.5	1287-7.5	1290/1281	1281-1.5	1290-1	182,868 lots
Copper, Grade A (£ per tonne)					Total daily turnover 33,648 lots	
Cash	1384-5	1404.5-5.5	1406/1405	1406-6.5		
3 months	1415-6	1432-3	1437/1424	1433-4	1423-4	154,920 lots
Lead (£ per tonne)					Total daily turnover 1,856 lots	
Cash	353.5-4	353.5-4	353.5	355-6		
3 months	363-5	363-4	372.5/362	365.5-6.5	362-3	27,309 lots
Nickel ($ per tonne)					Total daily turnover 5,517 lots	
Cash	6810-20	6805-15		6805-10		
3 months	6885-90	6880-5	6890/6880	6875-80	6885-95	26,884 lots
Tin ($ per tonne)					Total daily turnover 3,627 lots	
Cash	6535-45	6600-10		6525-30		
3 months	6600-5	6660-65	6660/6580	6575-80	6615-20	11,221 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 23,140 lots	
Cash	1320-1	1351-3		1333-5		
3 months	1325-6	1339-40	1343/1316	1331.5-2.5	1326-7	62,971 lots

LME Closing £/$ rate: SPOT: 1.7085 3 months: 1.6844 6 months: 1.6650 9 months: 1.6469

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	348.20-348.50	
Opening	349.35-349.75	
Morning fix	348.90	206.450
Afternoon fix	348.25	204.672
Day's high	349.60-349.90	
Day's low	347.60-347.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.37	6 months	2.38
2 months	2.35	12 months	2.44
3 months	2.35		

Silver fix	p/troy oz	US cts equiv
Spot	226.50	383.50
3 months	231.65	386.50
6 months	235.95	389.40
12 months	244.95	396.20

GOLD COINS	$ price	£ equivalent
Krugerrand	348.50-351.50	206.00-208.00
Maple leaf	358.60-361.10	-
New Sovereign	84.50-86.50	50.00-51.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1250	25	59	3	10
1300	3	29	30	33
1350	3	12	78	65
Copper (Grade A)	Calls		Puts	
2350	47	82	7	38
2400	17	55	27	61
2450	4	35	64	90
Coffee	Nov	Jan	Nov	Jan
700	113	124	1	5
750	66	84	6	15
800	33	62	21	33
Cocoa	Dec	Mar	Dec	Mar
625	47	82	13	20
650	32	66	23	29
675	21	52	37	40
Brent Crude	Nov	Dec	Nov	Dec
2000	55		6	22
2050	22	41		46
2100	6	23		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Sep	348.6	348.8	0	0
Oct	348.8	349.1	349.6	348.1
Nov	349.5	349.8	0	0
Dec	350.4	350.7	351.9	349.3
Feb	351.9	352.2	353.3	351.4
Apr	353.3	353.6	354.8	353.0
Jun	354.8	355.1	354.8	354.5
Aug	356.5	356.8	0	0
Oct	358.2	358.5	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	365.8	368.2	368.0	364.8
Jan	361.7	362.2	364.0	360.5
Apr	360.2	360.7	360.5	360.0
Jul	360.2	360.7	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Sep	379.9	382.8	383.5	382.5
Oct	380.3	383.0	0	0
Nov	380.8	383.5	0	0
Dec	382.5	385.2	386.5	382.0
Jan	383.8	386.5	0	0
Mar	386.3	388.9	390.0	385.5
May	388.9	391.4	392.0	389.0
Jul	391.3	393.8	395.0	392.0
Sep	393.8	396.3	0	0
Dec	397.9	400.4	400.0	399.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	105.80	106.10	106.15	105.50
Oct	105.95	106.30	106.25	105.60
Nov	106.45	106.80	106.70	106.50
Dec	106.70	107.05	107.15	106.40
Jan	106.85	107.15	0	0
Feb	106.95	107.20	0	0
Mar	107.05	107.25	107.40	106.80
Apr	106.95	107.10	0	0
May	106.75	106.85	106.65	106.65
Jun	106.60	106.65	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	56.80	56.85	58.30	56.30
Mar	58.05	58.00	59.50	57.80
May	61.50	61.00	62.60	61.00
Jul	62.75	62.00	63.80	62.30
Sep	63.75	63.10	64.25	63.35
Dec	66.05	65.25	66.25	66.25

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Nov	22.00	21.78	22.05	21.72
Dec	21.93	21.71	21.98	21.64
Jan	21.83	21.60	21.88	21.53
Feb	21.69	21.48	21.70	21.43
Mar	21.56	21.32	21.55	21.32
Apr	21.43	21.18	21.44	21.15
May	21.30	21.05	21.30	21.07
Jun	21.18	20.93	21.15	21.02
Jul	21.09	20.83	21.10	20.88
Aug	21.00	20.74	21.02	20.79

HEATING OIL 42,000 US galls, cents/US galls				
	Close	Previous	High/Low	
Oct	63.96	62.63	64.15	62.50
Nov	64.59	63.35	64.90	63.20
Dec	65.11	64.15	65.40	64.10
Jan	65.37	64.53	65.70	64.55
Feb	64.32	63.58	64.55	63.45
Mar	61.87	61.23	62.00	61.58
Apr	59.77	59.23	59.80	59.40
May	58.27	57.86	58.25	57.80
Jun	57.27	56.98	57.40	57.30
Jul	56.97	56.73	57.00	56.85

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	986	995	995	979
Mar	1036	1045	1047	1030
May	1069	1078	1070	1065
Jul	1097	1106	1097	1095
Sep	1128	1135	1121	1121
Dec	1159	1168	0	0
Mar	1196	1205	1200	1192
May	1223	1230	0	0
Jul	1260	1267	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	8.73	8.68	8.75	8.60
Mar	8.71	8.64	8.78	8.60
May	8.75	8.72	8.82	8.66
Jul	8.77	8.74	8.84	8.70
Oct	8.72	8.71	8.79	8.66

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Oct	58.19	56.78	58.50	58.01
Dec	54.85	57.56	55.90	54.80
Mar	55.71	57.96	56.65	55.55
May	58.40	58.95	57.35	56.20
Jul	56.65	59.07	57.80	57.00
Oct	57.75	59.75	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	113.25	114.15	113.90	112.30
Jan	113.15	114.30	113.80	112.50
Mar	113.85	114.40	114.20	113.00
May	114.85	115.30	114.65	113.80
Jul	114.15	114.80	114.15	113.30
Sep	114.15	114.80	0	0
Nov	114.15	114.80	0	0
Jan	114.15	114.80	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Sep 23	Sep 22	mnth ago	yr ago
1584.0	1579.6	1518.6	1653.8

DOW JONES (Base: Dec. 31 1974 = 100)				
	Sep 22	Sep 21	mnth ago	yr ago
Spot	118.13	119.17	118.61	117.94
Futures	115.79	116.39	115.97	124.70

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	538/4	539/4	542/0	536/0
Jan	544/6	545/6	548/2	542/2
Mar	551/6	553/0	554/6	550/0
May	558/6	560/4	561/6	557/4
Jul	565/2	567/0	568/4	564/4
Aug	567/2	568/4	569/6	567/2
Sep	563/6	566/0	0	0
Nov	572/4	573/0	576/0	572/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Oct	18.61	18.62	18.83	18.53
Dec	18.88	18.87	19.14	18.79
Jan	19.04	19.05	19.25	18.98
Mar	19.29	19.29	19.50	19.21
May	19.55	19.56	19.72	19.50
Jul	19.79	19.80	19.96	19.75
Aug	19.91	19.92	20.05	19.89
Sep	20.04	20.03	20.10	20.00

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Oct	184.6	185.5	185.4	183.9
Dec	184.6	185.6	185.5	183.9
Jan	184.7	185.8	185.8	184.1
Mar	184.9	185.8	185.5	184.5
May	185.1	185.8	185.8	185.0
Jul	187.0	186.9	187.3	186.5
Aug	187.5	187.5	188.0	187.2
Sep	188.0	188.0	188.0	188.0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	213/0	214/4	214/4	212/6
Mar	222/0	223/2	223/4	221/6
May	228/2	229/6	229/4	228/2
Jul	233/0	234/2	234/2	232/6
Sep	234/2	235/2	234/6	234/2
Dec	237/4	239/2	238/4	237/2
Mar	244/2	246/0	0	0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	336/4	336/2	338/0	334/2
Mar	338/6	340/2	340/4	337/2
May	333/2	335/0	335/0	332/2
Jul	312/2	314/6	314/4	312/0
Sep	318/4	320/4	318/4	317/0
Dec	329/0	331/0	329/0	328/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	75.175	75.775	75.625	75.150
Dec	73.025	73.650	73.500	73.000
Feb	71.525	71.875	71.925	71.500
Apr	72.750	73.125	73.050	72.700
Jun	69.775	70.025	69.950	69.750
Aug	68.500	68.750	68.750	68.500
Oct	68.500	68.800	68.650	68.600

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	40.700	40.775	40.975	40.450
Dec	41.450	41.550	41.725	41.250
Feb	40.350	40.450	40.600	40.075
Apr	38.700	38.700	38.800	38.500
Jun	44.200	44.075	44.250	44.025
Jul	44.150	44.050	44.200	44.025
Aug	42.925	43.000	43.050	42.875
Oct	40.250	40.400	40.250	40.100

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	38.825	39.325	39.150	38.300
Mar	38.825	39.375	39.000	38.500
May	40.250	41.000	40.250	39.900
Jul	40.600	41.100	40.600	40.350
Aug	39.225	39.600	39.450	39.225

LONDON STOCK EXCHANGE

Unsettled again by currency factors

By Terry Byland, UK Stock Market Editor

TURBULENCE in global currency markets re-emerged as an unsettling factor for UK equities yesterday. Dollar stocks fell out of favour as the US currency faced pressure throughout Europe and turmoil among ERM currencies dented London's new-found confidence.

On the corporate front, nerves were jolted by a heavy loss and a halved share price at British Aerospace, until very recently an FT-SE Index constituent and a core stock in many institutional portfolios.

Equities opened lower but were then driven ahead by early gains in the stock index futures sector. The Footsie managed to regain the 2,600 hurdle before the pace slackened in the futures market and share prices were left to react to the adverse factors lurking in the background.

The stock market became badly unsettled by the latest indications of potentially destructive pressures inside the European exchange rate system. While sterling benefited from the switch of selling pressure towards the French franc, few equity strategists were prepared to speculate on the longer term implications for UK stocks of a break-up in the European currency framework. Dealers identified distinct signs of fear in the market.

The setback among dollar stocks, as the US currency challenged lows against the yen, was increased by bearish reviews of the pharmaceutical stock sector by a large US securities house. Some major drug stocks, which led the market advance last week, have now lost most of the gains which greeted sterling's departure from the ERM.

The Footsie reversed its gain and was more than 16 points off at 2,569.8 at mid-session, but was helped later by a rally in the pound. With confidence in further cuts in UK base rates still holding firm, equities recovered to show a final reading on the Footsie of 2,580.5, a net loss on the day of 5.5.

Seaq volume slipped to 735.4m shares from Tuesday's 987.9m. Tuesday's retail volume remained high at £2bn, reflecting block share sales.

The attention was concentrated yesterday on a handful of stocks, including Amstrad, the computer manufacturer, which traded heavily after the chairman suggested he might take the company into the private sector. Volume in Amstrad and in British Aerospace, between them, made up nearly 5 per cent of the day's total of equity shares traded.

Weakness in dollar-orientated stocks was offset by continued demand for the domestic retail stocks which will be beneficiaries from the further cuts in UK base rates expected before Christmas. Bank shares also extended recent gains on the view that lower interest rates will lighten their heavy burdens of bad debts. However, there was no improvement for the construction sector which had to weather another dividend reduction, this time from Costain.

The buoyant rally in share prices yesterday afternoon appeared to underline the market's overall confidence that the investment outlook has changed for the better and that domestic interest rates are on the way down.

Account Dealing Dates

*First Dealings:	Sep 7	Sep 21	Oct 5
Option Declarations:	Sep 17	Oct 1	Oct 15
Last Dealings:	Sep 18	Oct 2	Oct 16
Account Day:	Sep 28	Oct 12	Oct 26

*New time dealings may take place from 8.30 am two business days earlier.

Heavy setback in BAe

NOT EVEN the most pessimistic market forecasts had predicted the scale of losses at British Aerospace, one of the UK's leading manufacturers. The news nearly halved the share price to a new low and trading volume rose to its highest recorded daily total. The setback cast its shadow over other aerospace and engineering stocks.

The company revealed a first-half deficit of £129m, down from a profit of £86m last year, and also deferred and cut the dividend for the first time, by 5.9p to 3p.

Dealers rushed to sell the stock, driving it down 57 to 142p within the first hour of trading. Investors sold into any signs of a rally and at the day's worst the shares were at 107p for a drop of 92.

A gloomy meeting with analysts brought little respite, not only raising questions over the year-end dividend but also leading some analysts to question the future of the company. Researchers were also concerned that BAe has yet to announce an expected order from Saudi Arabia for Tornado aircraft; most now fear that BAe will report losses of around £100m for the full year but return to profit in 1993.

The afternoon brought some relief to the selling pressure as bargain hunters chose to focus on the company's restructuring plans and the shares were finally 86 off at 113p, a record closing low after volume of 30m shares.

Amstrad surprise

An early upsurge in Amstrad to around the 30½p mark put dealers on the alert for a subsequent announcement that Mr Alan Sugar, founder and chairman of the electronics concern, was about to take the troubled electronics group private. But the price at which Mr Sugar pitched the offer, 30p a share, was much lower than expected, and well below the 45p that was being mentioned in the market.

After the announcement the stock fell back to close a net 3 up at 28p. Turnover totalled 5.7m shares.

Market reaction to Mr Sugar's move was less than complimentary. "It is a bit cheeky to say the least," said one electronics specialist. Mr Sugar prompted raised eyebrows in the City in March last year when he sold a block of 42.75m shares, representing a 7.5 per cent stake in Amstrad, at 79p, only days after a profits upgrading by James Capel, the company's broker. Mr Sugar currently has a near 35 per cent stake in Amstrad.

In July Amstrad issued a warning that losses for the year to end-June would be much greater than had been expected; most analysts have factored in a projected deficit of £65m for the year.

KIO/Hays deal

The reason for sluggishness in the share price of Hays on Tuesday, in spite of better than expected preliminary figures, became evident yesterday as the Kuwait Investment Office (KIO) revealed that it has sold a block of 7.6m shares into the market. The sale reduced its stake in the business services group to below the 3 per cent level at which shareholdings have to be declared.

An official statement said the KIO holding now stands at 11.85m shares, or 2.96 per cent. The 7.6m shares are believed to have been placed in the market by Hoare Govett, the stockbroker, at 178p a share ex-dividend, equivalent to 180½p cum the dividend, a substantial discount to the ruling share price of around 184p.

The KIO has been steadily reducing its holding in Hays over the past year, down from 10.3 per cent to the current level. By the close yesterday the shares had risen 5 to 189½p.

The decision by Chemical Bank to forsake office space in Canary Wharf for Alban Gate, in the City of London, lifted MEPC, Alban's developer. "The millstone has been lifted from around MEPC's neck," commented one analyst, following the bank's letting of 173,000 sq ft on a 25-year lease at a rumoured £30 per sq ft. The shares closed 13 ahead at 252p after a hefty 5.4m turnover.

At that letting price, the net savings and benefits to the group would be in the region of £10m, enough in the market's view to protect the dividend.

TSB eased 2 more to 126p, with the market said to be concerned about the bank's Hill Samuel merchant banking operation.

S.G. Warburg, the merchant bank, jumped 19 to 530p, still boosted by hints that a link with one of the top-rated US money centre banks could be on the cards.

Barratt Developments forged ahead 17, or 34 per cent, to 67p, after the housebuilder unveiled much better than expected preliminary results. Costain, on the other hand, slipped 2 to 27p after confirming market fears that the interim dividend would be eliminated. Taylor Woodrow lost 3 to 62p as one securities house bought a block of 7.8m shares at 60½p and placed them at 60¾p.

Among other housebuilders, Cala rose 6 to 45p, Crest Nicholson 9 to 43p and Westbury 6 to 59p in a belated reaction to the cut in UK interest rates.

Pharmaceutical issues continued to suffer from profit-taking and currency worries, with sentiment also being depressed by reported bearish comments from Goldman Sachs. Fisons shed 5 to 183p, Glaxo 19 to 797p and Wellcome 32 to 955p.

UBS Phillips & Drew was said to have turned positive on the brewery sector. Bass moved ahead 12 to 587p, Grand Metropolitan 18 to 455p and Guinness 25 to 564p.

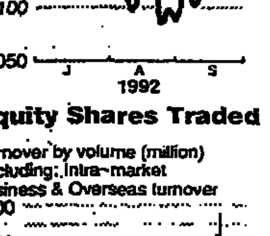
Supermarket group Tesco retreated 10 to 214p as some brokers found themselves long on stock following the interim statement released on Tuesday. J. Sainsbury continued to benefit from comparison with Tesco, climbing 4 to 460p.

In food manufacturing, Smith New Court was among those advising investors to take profits after recent outperformance in Cadbury Schweppes, which receded 9 to 451p, and Unilever, 18 lighter at 1034p. Smith also advised switching into Tate & Lyle, 17 stronger at 357p, United Biscuits, 10 ahead at 297p, and Northern Foods, 13 up at 270p.

Tour group Airtours advanced 10 to 223p after announcing the purchase of the Pickfords Travel agency chain.

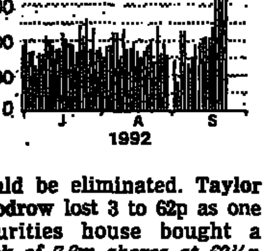
Paper company Bunzl added 5 at 102p, aided by an agency cross by Credit Laing Lyonnaise of 2.5m shares at 101p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



MARKET REPORTERS:
Joel Kibazo,
Steve Thompson,
Christopher Price.

■ Other market statistics, Page 19

FINANCIAL TIMES STOCK INDICES

	Sept 23	Sept 22	Sept 21	Sept 18	Sept 17	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.77	89.31	89.20	89.74	89.22	87.36	90.11 (14/9)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	104.43	104.09	104.60	105.21	104.99	97.06	106.46 (14/9)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1901.8	1910.1	1887.8	1885.2	1815.2	2028.9	2149.7 (22/5)	1670.0 (1/9)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	80.5	80.3	81.4	79.9	80.7	163.7	160.6 (10/1)	65.0 (10/9)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2580.5	2586.0	2560.1	2567.0	2483.9	2597.8	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1117.50	1118.32	1114.23	1144.61	1111.40	1171.08	1248.79 (11/5)	1029.56 (25/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord. Div. Yield	4.63	4.61	4.67	4.69	4.85	4.88				
●Earning Yld %(full)	6.75	6.72	6.81	6.84	7.07	7.50				
●P/E Ratio(Net)(*)	18.77	18.85	18.60	18.53	17.92	16.63				
SEAQ Bargns 5.00pm	28,898	29,992	38,369	42,638	37,146	28,595				
Equity Turnover(£m)†	-	1965.4	1835.7	2829.2	2548.6	1110.02				
Equity Bargains†	-	34,051	43,589	48,670	40,582	28,253				
Shares Traded (ml)†	-	873.6	823.5	1166.3	1052.2	512.8				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90 c [illegible] 17.41

Ordinary Share Index, Hourly changes Day's High 1923.7 Day's Low 1890.1

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1902.8	1917.8	1914.7	1920.7	1918.4	1908.4	1903.7	1895.5	1895.7

FT-SE 100, Hourly changes Day's High 2603.9 Day's Low 2567.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2579.3	2597.1	2593.8	2601.6	2597.9	2588.8	2584.3	2575.1	2574.2

FT-SE Eurotrack 200, Hourly changes Day's High 1122.31 Day's Low 1113.68

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1118.79	1120.22	1120.16	1120.05	1121.70	1121.61	1114.81

GILT EDGED ACTIVITY

Indices*	Sept 22	Sept 21
Gilt Edged Bargains	236.3	189.8
5 - Day average	177.2	149.8

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	3	415	-18	Comm. Union	1,400	500	+4	Lonrho	262	71	-1½	Shell Transport	2,700	530	+1
ASDA Group	5,400	30	+1	Cookson	2,700	156	+5	Lucas	4,300	90	-11	Siebe	642	359	+8
Abbey National	3,000	318	+3	Courtaulds	1,320	313	-4	MB Caradon	3,100	275	-2	Slough Ests	611	98	
Albert Fisher	3,500	38	-1	Dalgety	329	427	-5	MEPC	5,400	252	+13	Smith (WH) A	785	440	-4
Allied-Lyons	1,400	647	+11	De La Rue	550	619	-16	Manweb	172	412	+1	Smith & Nephew	1,800	151	+½
Amstrad	5,700	28	+3	Dixons	1,200	219		Marks & Spencer	3,100	325		Smkl Beecham	3,700	505	-23
Anglian Water	1,500	407	+5	Eastern Elect.	1,130	350	+8	Midlands Elect.	842	386	+7	Smkl Beecham Uts	8,300	451	-18
Argos	405	249	-4	East Midland Elect.	1,000	365	+8	NFC	1,600	257	+2	Smiths Inds	2,000	309	+6
Argyll Group	2,400	335		Eng China Clays	1,500	436	+18	NatWest Bank	1,800	353	+4	Southern Elect.	702	375	+3
Arjo Wiggins	7,800	167	-1	Enterprise Oil	759	404	+2	National Power	1,700	390	+3	South Wales Elect	83	420	+1
Ass. Brit. Foods	188	409	-5	Eurotunnel Units	36	423	-4	Next	2,800	103	+½	South West Water	668	416	+13
[illegible]				[illegible]				[illegible]				[illegible]			
Bowater	447	839		Hillsdown	5,850	174	-3	Reuters	1,000	1216	-9	United Biscuits	3,200	297	+10
Brit. Aerospace	30,000	113	-86	IMI	635	272		Rolls Royce	6,000	136½	-5½	Utd Newspapers	1,800	409	+4
British Airways	8,400	295	-7	ICI	1,330	1191	+4	Rothmans	457	621	+12	Vodafone	3,900	325	-1
British Gas	17,000	242	+2½	Inchcape	482	494	+14	Ryl Bk Scotland	850	161	-1	Warburg (SG)	850	530	+19
British Land	1,400	140		Kingfisher	1,020	534	-1	Royal Insurance	3,700	171	+11	Wellcome	2,800	955	-32
British Steel	23,000	64	-3	Kwik Save	399	650	-2	Saatchi	202	150	-5	Welsh Water	188	434	+5
Bunzl	6,500	102	+5	Ladbroke	1,700	175	-1	Sainsbury	3,600	460	+4	Wessex Water	897	489	
Burmah Castrol	341	647	+2	Land Securities	960	384		Scottish & New	645	421	+9	Whitbread 'A'	650	442	+11
Burton	2,300	41½	-½	Laporte	581	564	+9	Scot. Hydro-Elect.	2,300	198½	+3½	Williams Hldgs	2,300	276	-14
Cable & Wire.	1,900	595	-4	Legal & General	1,100	357	+4	Scottish Power	3,300	178½	+1½	Willis Corroon	1,300	194	+2
Cadbury Schweppes	1,400	452	-9	Lloyds Abbey	552	358		Sears	10,000	72		Wimpey	569	101	+1
Calor Group	210	184	-7	Lloyds Bank	1,600	459	+8	Sedgwick	995	135	-4	Wolseley	71	309	-5
Carlton Comms	450	634	-6	LASMO	2,900	161	-7	Seeboard	521	380	+7	Yorkshire Elect.	299	417	+3
Coats Viyella	1,100	200	+3	London Elect.	2,500	374	+8	Severn Trent Water	3,100	398	+10	Yorkshire Water	1,100	443	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DEALERS reported a dull session in the derivatives market, with turnover in both Footsie futures and traded options returning to poor levels, writes Joel Kibazo.

Trading in the FT-SE futures contract for December delivery opened strongly at 2,641 and early buying reported to have come from Strauss Turnbull and Salomon soon helped the contract advance to 2,656 by mid-morning, with early strength in gilts also boosting sentiment. However, this proved to be the high of the day after buying interest dried up, leaving the contract to gently drift lower over the middle part of the trading session.

In the afternoon, the lack of buyers coupled with the poor opening on Wall Street saw December fall to the day's low of 2,610, although a squeeze towards the close ensured a strong finish. December closed at 2,638, around 22 points ahead of its fair value premium to cash of about 40.

Traded options were marked by a lack of business and turnover reached 26,889 lots, well below the markets's break-even level of 30,000 contracts. The FT-SE 100 option traded 8,877 contracts, while among the stock options, HSBC recorded the day's highest total at 1,280 contracts.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (127).
BRITISH FUNDS (46) Tr. 8¼pc '93, Tr. 10pc '93, Fd. 6pc '93, Tr. 8½pc '94, Ex. 12½pc '94, Tr. 12pc '95, Ex. 10¼pc '95, Tr. 12¾pc '95, Tr. 14pc '96, Tr. 9pc '92-96, Tr. 15¼pc '96, Ex. 13¼pc '96, Cv 10pc '96, Tr. 13¼pc '97, Ex. 10½pc '97, Tr. 8¾pc '97, Ex. 15pc '97, Ex. 9¾pc '98, Tr. 6¾pc '95-98, Tr. 15½pc [illegible]

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1992. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section. Wednesday September 23 1992.

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Sep 22 Index No.	Mon Sep 21 Index No.	Fri Sep 18 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	766.34	-1.5	7.61	5.79	16.95	26.19	778.22	769.63	761.59	851.80
2	Building Materials (23)	764.14	-0.3	6.87	7.19	20.21	30.02	766.48	756.10	737.26	1068.10
3	Contracting, Construction (27)	623.29	+1.8	4.07	8.59	81.96	29.27	612.27	597.15	574.52	1158.36
4	Electricals (9)	2149.22	-1.7	7.82	7.00	16.91	85.80	2187.06	2146.34	2116.89	2634.63
5	Electronics (27)	1988.65	-1.9	8.13	4.34	15.35	47.93	2027.12	1999.24	1973.07	1774.16
6	Engineering-Aerospace (6)	277.39	-11.8	13.00	9.40	9.76	13.53	314.39	313.62	307.72	377.36
7	Engineering-General (43)	469.97	-0.5	8.62	5.12	14.80	14.37	472.16	466.42	465.54	495.51
8	Metals and Metal Forming (7)	317.73	-2.2	5.47	6.89	26.58	7.52	324.97	323.13	312.45	461.96
9	Motors (14)	314.27	-3.8	8.52	7.51	15.41	14.69	326.75	324.15	316.70	362.25
10	Other Industrial Materials (19)	1756.28	-0.7	7.15	4.75	16.91	57.80	1768.88	1754.44	1761.94	1608.25
21	CONSUMER GROUP (191)	1615.32	-0.2	7.14	3.59	17.34	32.79	1618.94	1610.39	1610.03	1550.91
22	Brewers and Distillers (25)	2076.22	+3.1	8.03	3.55	15.02	41.39	2013.29	2009.49	1997.34	1931.07
25	Food Manufacturing (19)	1183.75	....	9.05	4.47	13.66	28.04	1184.20	1174.15	1186.11	1233.17
26	Food Retailing (18)	2667.53	-0.5	9.29	3.45	13.96	48.07	2682.22	2617.45	2601.38	2540.42
27	Health and Household (25)	4194.56	-2.6	5.28	2.64	21.96	68.85	4306.79	4340.99	4377.53	3664.93
29	Hotels and Leisure (18)	1053.53	-0.2	7.64	6.50	17.09	38.53	1055.19	1063.37	1052.09	1344.70
30	Media (26)	1595.50	-0.5	6.15	3.30	20.30	32.89	1604.12	1580.71	1569.59	1550.77
31	Packaging, Paper & Printing (17)	727.80	....	6.97	4.45	17.86	22.00	728.18	717.60	696.23	763.14
34	Stores (34)	1035.29	....	6.87	3.63	19.41	18.84	1035.02	1017.89	1020.90	998.72
35	Textiles (9)	670.21	+1.1	7.03	4.57	17.89	16.42	662.97	660.32	649.22	634.16
40	OTHER GROUPS (117)	1282.35	....	9.75	5.30	12.84	39.94	1281.88	1269.91	1269.25	1295.46
41	Business Services (17)	1343.68	+0.1	6.67	3.92	18.38	23.67	1342.78	1346.95	1330.34	1385.92
42	Chemicals (22)	1432.55	....	6.84	5.07	18.14	48.13	1431.85	1389.35	1367.05	1462.04
43	Conglomerates (10)	1273.87	-1.2	9.05	8.63	14.14	38.55	1289.02	1298.32	1303.96	1551.77
44	Transport (14)	2449.85	-0.7	8.21	4.83	15.00	74.86	2468.31	2438.91	2430.93	2379.77
45	Electricity (16)	1347.53	+1.3	15.44	5.44	8.35	55.01	1330.09	1347.77	1368.27	1278.30
46	Telephone Networks (4)	1464.54	-0.5	10.32	4.51	12.63	46.15	1471.97	1443.04	1428.78	1571.29
47	Water (11)	2786.24	+1.6	16.08	6.21	6.88	86.85	2742.89	2731.81	2789.02	2409.72
48	Miscellaneous (23)	2159.78	+0.5	6.13	4.67	20.44	55.15	2148.84	2125.95	2143.55	1890.81
49	INDUSTRIAL GROUP (483)	1296.39	-0.4	8.07	4.52	15.51	33.98	1301.17	1291.28	1288.57	1299.24
51	Oil & Gas (17)	2023.58	+0.4	6.67	6.42	19.65	84.69	2015.74	1988.88	1986.90	2385.65
59	500 SHARE INDEX (500)	1365.01	-0.3	7.93	4.72	15.86	37.99	1368.98	1357.78	1355.09	1393.40
61	FINANCIAL GROUP (83) ●	749.29	+0.9	-	5.89	-	29.00	742.77	726.42	729.72	833.86
62	Banks (9) ●	1025.52	+0.5	5.08	5.42	29.56	39.95	1020.47	998.76	1010.98	969.44
65	Insurance (Life) (6)	1532.01	+0.4	-	5.93	-	66.22	1525.83	1495.62	1519.93	1584.87
66	Insurance (Composite) (7)	521.83	+2.1	-	5.76	-	16.37	511.31	496.54	489.62	642.97
67	Insurance (Brokers) (10)	694.48	-0.5	10.29	8.09	12.76	39.90	698.16	684.37	660.77	1157.52
68	Merchant Banks (7)	471.26	+2.0	-	4.71	-	13.08	461.85	450.55	436.42	477.95
69	Property (30)	532.44	+2.1	10.61	8.36	12.51	22.28	521.31	510.38	515.70	969.43
70	Other Financial (14)	243.52	+0.9	8.20	6.84	16.01	7.81	241.47	237.26	232.33	268.93
71	Investment Trusts (70)	1159.29	+0.9	-	3.87	-	26.39	1148.84	1135.67	1122.71	1255.50
99	ALL-SHARE INDEX (653) ●	1216.92	-0.1	-	4.85	-	35.34	1218.28	1206.06	1204.37	1257.74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Sep 22	Sep 21	Sep 18	Sep 17	Sep 16	Year ago
FT-SE 100 SHARE INDEX‡	2580.5	-5.5	2603.9	2567.8	2586.0	2560.1	2567.0	2483.9	2378.3	2597.8

FIXED INTEREST

	PRICE INDICES	Wed Sep 23	Day's change %	Tue Sep 22	Accrued Interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	125.11	+0.26	124.78	2.22	9.03
2	5-15 years (25)	139.19	+0.64	138.31	1.63	10.51
3	Over 15 years (8)	145.32	+0.71	144.30	1.15	9.97
4	Irredeemables (6)	163.77	+0.36	163.18	3.12	8.83
5	All stocks (61)	136.71	+0.52	136.00	1.82	10.11
	Index-Linked					
6	Up to 5 years (2)	175.04	+0.14	174.79	0.37	3.25
7	Over 5 years (10)	154.23	+0.79	153.02	0.72	3.64
8	All stocks (12)	155.90	+0.69	154.83	0.67	3.56
9	Debs & Loans (62)	118.13	+0.60	117.53	1.93	9.13

	AVERAGE GROSS REDEMPTION YIELDS		Wed Sep 23	Tue Sep 22	Year ago (approx.)
	British Government				
1	Low	5 years	7.96	8.07	8.57
2	Coupons	15 years	8.72	8.79	9.34
3	(0%-7¾%)	20 years	8.93	9.00	9.35
4	Medium	5 years	8.57	8.67	9.64
5	Coupons	15 years	9.16	9.26	9.48
6	(8%-10¾%)	20 years	9.26	9.33	9.44
7	High	5 years	8.87	8.98	9.83
8	Coupons	15 years	9.34	9.41	9.58
9	(11%-)	20 years	9.36	9.43	9.50
10	Irredeemables†		9.39	9.43	9.55
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	3.69	3.73	3.89
12	Inflation rate 5%	Over 5 yrs	4.27	4.33	4.23
13	Inflation rate 10%	Up to 5 yrs	2.90	2.93	3.26
14	Inflation rate 10%	Over 5 yrs	4.08	4.14	4.05
15	Debs &	5 years	10.04	10.20	11.08
16	Loans	15 years	10.47	10.54	10.90
17		25 years	10.49	10.56	10.74

‡Opening index 2579.3; 9 am 2597.1; 10 am 2593.8; 11 am 2601.6; Noon 2597.9; 1 pm 2588.8; 2 pm 2584.3; 2.30 pm 2577.9; 3 pm 2575.1; 4.10 pm 2576.8; (a) 9.09am (b) 3.21pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 3rd Floor, Number One, Southwark Bridge, London SE1 9HL. ●The HSBC dividend is not subject to Advance Corporation Tax at 25%.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 8¾pc 1993		100	+1/16	100	97	8.25	8.02
10pc 1993‡‡		101xd	+½	101	99	9.90	8.13
12½pc 1993‡‡		103		103	100	12.08	7.92
Funding 6pc 1993‡‡		98	+¼	98	95	6.08	7.42
Treas 13¾pc 1993‡‡		106½		106	103	12.90	[illegible]
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
9pc 2000‡‡		101		101	94	8.88	8.74
Treas 13pc 2000		120		121	114	10.80	9.24
10pc 2001		106		106	99	9.42	8.92
14pc '98-01		121¼		121¼	115	11.56	9.11
9¾pc 2002		105		105	98	9.27	8.94
10pc 2003		106		107	100	9.36	9.00
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
4⅝pc '98	(136.3)	165		167	151	3.84	4.30
2½pc '01	(78.3)	149		149	139	3.94	4.29
2½pc '03	(78.8)	145½	+1	145	135	3.99	4.28
4⅜pc '04	(135.3)	161		161½	163	4.06	4.27
2pc '06	(69.5)	147	+1	147	137	4.09	4.32
2½pc '09	(78.8)	134	+1	134	124	4.11	4.32
[illegible]							

OTHER FIXED INTEREST

[illegible]

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	17⅞xd	+⅛	19⅛	14⅝	14,885	2.0
♥Allegheny & W.	351p	+12	351p	226p	182.4	5.0
Amdahl	540p	+1	1155p	527p	614.8	1.1
Amer Cyanamid	33¼	—	37	28⅝	3,885	2.9
Amer Express	13xd	+½	13⅞	10	6,294	4.5
Amer T & T	25xd	+⅛	25	20⅛	34,494	3.0
Ameritech	39⅛	−⅝	39¼	32½	17,130	5.3
BankAmerica	28xd	+⅛	27⅛	19	9,858	2.9
Bankers NY	37xd	+½	37	28⅞	3,144	4.3
Bell Atlantic	28	−⅛	28⅛	23⅛	12,083	5.4
BellSouth	29⅝	−⅛	32⅞	25	14,483	5.4
♥Bethlehem Steel	7⅛xd	−⅛	9⅝	5¼	831.6	—
Bowater	1185pxd	+10	1578p	905p	428.4	5.9
CPC h	28⅞xd	+⅛	28⅞	22⅛	4,373	2.4
♥Cadiz Land Inc	128p	—	342p	128p	—	—
Chase Manhattan	12⅞xd	−⅛	16½	9⅛	1,837	5.4
Chrysler	13⅞xd	−⅛	19	8¼	4,887	2.5
Citicorp	9xd	+⅛	11¼	5⅛	3,354	—
Colgate-Palm	33½xd	+⅛	33½	25⅛	5,343	2.2
Cont'l Bank	943p	−6	1036p	499p	982.9	3.7
Dana	23⅝xd	+⅛	24½	14	1,083	4.0
Data General	585p	−6	1094p	384p	161.4	—
♥Decora Inds	116p	—	122p	66p	—	—
Dun & Brad	33⅞	+⅛	33½	27⅝	5,854	4.0
Eaton	45½	−⅛	46½	32½	1,671	2.8
Echlin	11¼xd	+⅛	11¾	7⅛	675.7	3.5
FPL	21¼xd	+⅛	21¼	17	3,838	6.7
Fluor	25	+⅛	27	19¼	2,863	0.9
Ford Motor	23⅞xd	−⅞	28⅛	15	11,591	2.4
Gen Elect	45⅞xd	+⅞	48⅞	36¼	39,191	3.0
♥General Host	558p	+20	680p	360p	—	3.8
Gillette	33¼xd	+½	33¼	23	7,409	1.2
Hasbro	19⅞	+⅛	19⅞	12⅞	1,682	0.6
Honeywell	[illegible]	[illegible]	43	32	2,997	2.5

BUILDING MATERIALS - Cont.

Notes	Price	+ or -
■Spring Ram	133	−3
■Steetley	7½xd	—
■Tarmac	79	+1
✠Titon †	145	—
■Travis Perkins	144	+11
✠Tudor	35	—
■Unigroup	16	+2
Ward Group ‡	89	—
✠Waterhouse	35	—
■Wickes	88	+2
■Wiltshaw	15	−¼
■Wolseley ‡	288	−6

BUSINESS SERVICES

Notes	Price	+ or -
■ADT S	416	−18
Adam & Harvey	198	+4
✠Air London †	78	—
African Lakes	34	—
■Auto'ted Sec †	114	—
■BET	110	−9
■BNB Res	53	—
BPP †	278	+3
Barbour Index	220	—
■Boustead	20	—
■Brit Data Mangt L	138xd	—
✠Broadcastle	11	—
Brooks Service	78	—
Burns-Anderson	28	—
■CRT	180	+2
Capita †	362	+5

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

Notes	Price	+or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)	31	—	34	26	67.9	–	–
Barings 8pc Cm 2nd Prf	99	—	109	83½	12.4	10.8	–
9¼pc Non-Cum Prf	119½	—	125	103¼	47.8	10.9	–
Brown Shipley	48	–1	204	48	7.66	–	–
Close Bros	214xd	+3	267	205	82.3	5.9	♦
Hambros	246	+2	292	202	425.8	7.5	9.0
7½pc Cv Pf	107	—	119	91½	108.5	9.3	–
Joseph (L)	318	—	333	308	16.3	6.8	–
Kleinwort Benson	289	+5	324	212	376.9	7.4	25.3
Rea Bros	29	—	37	25	11.4	2.3	–
Schroders	1236	+10	1368	1043	621.8	1.9	14.3
N/V	1032	+8	1150	883	136.3	2.3	12.0
Singer & Fried	48xd	+½	59	34	78.8	8.3	8.8
Warburg (SG)	530	+19	685	403	1,108	4.5	10.6
6pc Cv Pf	179	+7	284	137	76.2	4.5	–
Wintrust	208	—	253	208	17.8	8.0	8.0

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	129 9	131 3	138 2	+1 20	0 03
AIB Grofund Equity	5	180 6	183 2	193 9	+2 90	1 91
AIB Grofund Euro	5	138 2	140 3xd	147 7	+2 20	0 64
AIB Grofund Gilt	3	70 96	70 99xd	73 19	+0 87	6 10
AIB Grofund Japan	5	118 9	120 3	126 6	+4 50	0 00

AXA Equity & Law Unit Tst Mngrs (1200)F
Equity & Law Hse, Corporation St, Coventry 0203 553231

General Inc	5	359 6	362 0xd	385 2	+2 9	3 32
General Acc	5	391 6	394 2xd	419 4	+2 7	3 32
UK Growth Acc	6	265 0	269 5	286 8	+1 6	3 70
UK Growth Inc	6	193 2	196 5	209 1	+1 3	3 70
Higher Inc Acc	6	441 6	450 2	479 0	+5 0	5 32
Higher Inc Inc	6	278 6	284 0	302 2	+3 2	5 32
Gilts/Fxd Int Acc	5½	157 6	158 2xd	166 6	+1 3	8 20
Gilts/Fxd Int Inc	5½	84 86	85 24xd	89 73	+0 71	8 20
Nth America	6	200 1	204 8	217 9	+2 1	0 00
Far East	6	211 6	211 6	225 1	+4 3	0 51
Europe	6	192 7	192 7xd	209 0	-0 8	0 75
Brit Exsell	6	54 10	54 10	57 56	+0 47	5 98
Brit Fndmtls Acc	6	67 78	67 78xd	72 11	+0 76	6 38
Brit Fndmtls Inc	6	53 20	53 20xd	56 60	+0 59	6 38
Global Opps	6	53 48	53 73	57 17	+0 36	0 42

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd Bournemouth 0345 717373

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010. Enq: 0903 204631

High Income	5	223 7	227 1	241 5	+2 6	6 81
(Accum Units)	5	371 1	376 7	400 7	+4 2	6 81
UK Growth	5	286 5	289 1	307 5	+3 0	3 81
(Accum Units)	5	350 9	354 1	376 6	+3 7	3 81
Int. Equity Gth ♣	5	49 88	50 07	53 26	+0 57	1 11
Intl Bond	5	59 40	59 40	62 41	+0 49	6 64
Special Sits Gwth	5	14 19	14 68xd	15 61	+0 17	4 05
North American Gwth	5	74 95	75 20xd	80 00	+0 60	0 96
European Growth ♣	6	53 18	53 45	56 86	-0 21	1 88

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

MW Jubil. Investors	0	1066.3	1066.3	1091.01	..	4.8

Maldon Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242

Maldon General	0	96 00	96 00	99 56	..	5.86

Manulife Management Ltd (1200)F
St George's Way, Stevenage Dealing 071-256 5858

Growth Units	5¼	134.5	135.6xd	145.0	+1.2	3.72
Gilt & Fxd Int	5	156.8	155 8xd	164.9	+0 6	8.05
Intl Growth	5¼	145 9	145.9	156.6	+1 8	0 48
North American ♥	5¼	113 0	113.0	121 3	+1.2	0.49
Far East	5¼	135 9	135 9	146.5	+2 6	0 79
UK Smaller Cos	5¼	94.98	98 46	105.3	+1.3	2 84
European	5¼	54.88	54.88	58.58	-0.03	0.65
Japanese Growth	5¼	29.78	29.78	31.78	+0.5	0.00
Managed P'folio	5¼	50.52	50.52	54 13	+0 28	2.01
High Income	5¼	133.8	134.6xd	144.0	+0 6	5 91

Marks & Spencer Unit Trust Ltd (1200)F
PO Box 410, Chester X, CH99 9GG 0244 680066

M & S Inc P'folio	5¼	113.7	113 9	121.8	+1	3.05
Do Accum	5¼	125.0	125.2	133.9	+1	3 05
UK Sel P'folio	5¼	91.14	91.93	98 32	+0.63	4 79
Do Accum	5¼	100.3	101 1	108.1	+0.7	4.79

Murray Johnstone UT Mgmt (1000)H
7 West Nile St, Glasgow G2 2PX 0345 090 933

Acumen	1	70.94	70.94	72.83	+0.70	3.87
Acumen Reserve	1	71.45	71.45	72.17	+0.46	9.08
American Income	1	141.50	141.50xd	144.40	+0.70	2.90
Equity Income	1	76.41	76.41xd	78.73	+0.96	5 83
European	1	52.96	52.96xd	54.22	+0.31	1.92
Smaller Cos	1	45.73	45.73	47.95	+0.41	1.89
Olympiad	1	43.82	43.82xd	45.02	+0.60	1.66
Olympiad Income	1	43.53	43.53xd	44.73	+0.35	6.44
UK Growth	1	70.37	70.37	72.87	+0.28	2.17
Pacific Growth	1	54.13	54.13	55.91	+1.13	1.38
Japan Growth	1	66.31	66.31	67.72	+1.30	0 00

NFU Mutual Unit Mngrs Ltd (1400)F
Admin: 5 Rayleigh Road, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 261010

Avon Equity	6	90.82	92.38	98.28	....	3.66

NM Unit Trust Mngrs (1200)F
The Bilton Centre, North Harbour, Portsmouth
Enquiries: 0705 372222 Dealing: 0705 387730

American ♥	5¼	35.09	35.09	37.42	+0.30	0.86
(Accum Units) ♥	5¼	38.11	38.11	40.65	+0.30	0.86
Australian ♥	5¼	207.40	207.40	222.50	+1.10	0.00
(Accum Units) ♥	5¼	234.50	234.50	251.60	+1.20	0.00
Conscience	5¼	51.66	51.66	55.13	+0.39	1.51
(Accum Units)	5¼	55 08	55.08	58 78	+0.41	1.51
European	5¼	150 90	150.90	160.90	-0.40	0.98
(Accum Units)	5¼	161.00	161.00	171.70	-0.40	0.98
Extra Income	5¼	62.60	62.83xd	67.05	-0.02	6.78
(Accum Units)	5¼	92.21	92.56	98.78	-0.02	6.78
Far East Gth Acc	5¼	110.70	110.70	118.30	+0.80	0.00
Gilt & F.I.	5¼	53.92	53.92xd	57.09	+0.74	8.07
(Accum Units)	5¼	123.70	123.70	130.90	+1.70	8.07
Gold ♥	5¼	27.99	27.99	30.09	+0.51	0.00
(Accum Units) ♥	5¼	30 15	30.15	32.41	+0.57	0.00
Income	5¼	43.45	43.45	46.34	+0.36	6.15
(Accum Units)	5¼	127.20	127.20	135.60	+1.00	6.15
Intnl.	5¼	23.95	23.95	25.69	+0.18	0.90
(Accum Units)	5¼	34.23	34.23	36.72	+0.26	0.90
Jap Smaller Cos	5¼	212.80	212.80	226.90	+1.30	0.00
Sing & Malaysian	5¼	102.60	102.60	110.00	+1.00	0.00
(Accum Units)	5¼	106.70	106.70	114.40	+1.00	0.00
Smaller Co's	5¼	18.95	18.95	20.37	+0.21	3.19
(Accum Units)	5¼	21.69	21.69	23.32	+0.25	3 19
Special Sits	5¼	26.83	27.06	29.09	+0.58	2.10
(Accum Units)	5¼	30.26	30.53	32.82	+0.63	2.10
Tokyo	5¼	55.72	55 72	59.43	+1.00	0 00
(Accum Units)	5¼	56.28	56.28	60.03	+1.09	0.00
UK Equity	5¼	140.10	140.10	149.40	-0.40	3.88
(Accum Units)	5¼	257.20	257.20	274.30	-0.90	3.88
US Smaller Cos ♥	5¼	75.40	75 40	80.64	+1.48	0.00

N&P Unit Trust Management Ltd (1200)F
35 Fountain St, Manchester M2 2AF 061 237 5322

N&P UK Growth	5½	57.24	57 87	61.57	+0.42	3.88
N&P UK Income	5½	79.48	80.66	86.27	+0.64	5.37
N&P Gilt & Fixed Int	5½	66.28	67.22xd	71.14	+0.18	7.80
N&P Higher Income	5½	130 40	130 40	138.40	+1.18	7.19
N&P Smaller Co's	5½	52.18	54.49xd	58.28	+0.84	2.92
N&P International	5½	72.64	72.76	78.24	+0.23	2.86

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 071-623 4200

NPI America Acc ♥	5½	81.98	82.46	88.19	+0.98	0.14
NPI America Dist ♥	5½	75.87	76.31	81.62	+0.91	0.14
NPI European Acc	5½	69 44	69.79	74 64	-0.84	0.19
NPI European Dist	5½	67.38	67.72	72.43	-0.81	0.19
NPI Far East Acc ♥	5½	104.5	105.2	112.5	+3.89	0.21
NPI Far East Dist ♥	5½	102.8	103 5xd	110 7	+3 09	0 21
NPI Global Dist	5½	52.21	52.60	56.26	+0.80	2.26
NPI O'seas Acc	5½	906 9	910.5	973.8	+3.40	0.86
NPI O'seas Dist	5½	699 0	701.8xd	750 6	+2.70	0.86
NPI UK Acc	5½	504 0	507.1	542.3	+3.20	3.56
NPI UK Dist	5½	269 4	271.1	289.9	+1.70	3.56
NPI Extra Inc Dist	5½	53.12	53.57xd	57 29	+0 40	5.60
NPI UK Spec Opp Acc	5½	55.94	56.66	60.60	+0 46	3.31
NPI W'wide Acc	5½	71 69	75.11	80.33	+0.28	0.00
NPI W'wide Dist	5½	68 69	71 97	76.97	+0 28	0 00
NPI W'wide Inc Dist	5½	47 81	49.30	52.73	-0.12	2.79

Commodity	5	220.58	220.6xd	233.3	+3 6	2 13
(Accum Units)	5	319 68	319.7	338.1	+5.3	2 13
Compound Growth	5	639.5	639.5	676.3	+10.7	4 45
Dividend	5	26.84	27.00	28.90	+0.3	6.23
(Accum Units)	5	101.63	102.3	109.5	+1 8	6.23
Equity Income	5	210.31	215.3xd	230 4	+5 6	7.53
(Accum Units)	5	245 47	251.3	268.9	+6.5	7 53
European & General	5	330 97	334.6	353.8	+4.1	1.63
(Accum Units)	5	412.42	416.9	440 8	+5.1	1.63
European Dividend	5	47 43	47.70	50 80	+0.4	6.02
(Accum Units)	5	53 00	53.30	56.70	+0.4	6.02
Extra Yield	5	269 85	272.2xd	291.3	+4 6	7.27
(Accum Units)	5	775.43	782.4	837.2	+13.2	7.27
Far Eastern	5	203 74	204 2xd	218.5	+4.5	1.28
(Accum Units)	5	267 18	267.7	286.5	+5 8	1.28
Fund of Inv Tsts	5	377 0	377 0	398.7	+3.6	3.26
(Accum Units)	5	673.39	673.4	712.2	+6.5	3.26
General	5	42.91	43.00	45.50	+0.6	4.99
(Accum Units)	5	110 64	110.7	117.1	+1.5	4.99
Gilt Income	5	58.86	59.00xd	61.90	+0.3	8.77
(Accum. Units)	5	139 10	139 4	146.3	+0.6	8.77
Gold	5	32.18	32.70	34.80	+0 7	2.23
(Accum Units)	5	37.40	38.10	40.30	+0.9	2.23
High Income	5	18.54	18 70	19 80	+0.3	7.04
(Accum Units)	5	66.96	67.40	71.50	+1.1	7.04
Intl Growth	5	55.71	55.90	59.30	+1 1	1.22
(Accum Units)	5	95 75	96.20	102.0	+1 9	1.22
International Inc	5	73.26	73.40	78.20	+1.4	5 88
(Accum Units)	5	97 46	97.60	104 0	+1.8	5.88
Japan & Gen	5	33 34	33.50	35 40	+1.2	–
(Accum Units)	5	35.78	35.90	37.90	+1 2	–
Japan Smaller Cos	5	94.50	94 80	100.3	+3.2	–
(Accum Units)	5	95.17	95.50	101.0	+3.3	–
Midland	5	39.48	39 90	42.20	+0 6	6.37
(Accum Units)	5	120 76	122.0	129.1	+2.0	6.37
Pension Ex	2	695.03	707.9	725 6	+8.8	5 72
Recovery	5	25 78	26.40	27.90	+0.4	5.06
(Accum Units)	5	40 04	41.10	43.40	+0 7	5.06
Second General	5	44.34	44 40	47.00	+0 6	5.31
(Accum Units)	5	106 04	106.1	112.3	+1.5	5.31
Smaller Cos	5	41.62	41.70xd	44 10	+0.6	5.45
(Accum Units)	5	77.50	77 50	82.00	+1.1	5 45
Trustee	5	29.13	29.20	30.90	+0.5	5.54
(Accum Units)	5	106 16	106.2	112.4	+1.7	5 54

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Pearl Assurance (Unit Funds) Ltd

Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or -	Yield Gross
Property Dist (Gross)	133.8	140.8		-
Property Acc. (Gross)	254.9	268.3		-
Equity (Gross)	880.9	927.3	+9.3	-
Managed (Gross)	625.3	658.2	+4.0	-
Property Acc. (Net)	122.0	128.4		-
Equity (Net)	204.1	214.8	+1.9	-
Adventurous Managed	94.8	99.8	-0.5	-
Managed (Net)	192.5	202.6	+1.1	-
Cautious Managed	99.2	104.5	-0.5	-
International (Net)	171.9	181.0	+1.5	-
Gilt & Fixed Interest	143.5	151.1	+1.2	-
Money Fund	142.0	149.5	+0.1	-
Mixed Fund (Cap)	112.5	118.5	-	-
Mixed Fund (Acc)	117.6	123.8		-
Pearl Assurance (Unit Linked Fund) Ltd				
Ret Man (Series 1)	677.8	713.5	+6.0	-
Ret Man (Series 2)	229.9	242.0	+2.0	-
Ret Cash	201.4	212.0	..	-
Pens Mixed Fd (Cap)	124.4	131.0		-
Pens Mixed Fd (Acc)	130.0	136.9	-	-
Pens Stg Fd (Cap)	105.0	110.6		-
Pens Stg Fd (Acc)	109.7	115.5		-

Premium Life Assurance Co Ltd

37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	136.0	144.0		-
Building Soc. Fd	226.0	238.0		-
Balanced	256.0	270.0	+2.0	-
European	219.0	231.0	-1.0	-
GT Managed	187.0	197.0	+2.0	-
Gartmore Mngd	127.0	134.0		-
German	130.0	137.0	-1.0	-
Gilt	163.0	172.0	+2.0	-
Global	37.0	39.0	...	-
International Equity	196.0	207.0		-
Japan	169.0	178.0	+1.0	-
Leisure	50.0	53.0		-
Managed	41.0	44.0	+1.0	-

Prudential Corporate Pension Funds

1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Managed Funds				
Discretionary Sep 16	£176.30	181.88	...	-
Equity Sep 16	£197.03	203.80	...	-
International Sep 16	£26.76	27.49	...	-
Intl Bond Sep 16	£14.79	14.98	...	-
Fixed Int Sep 16	£106.41	107.62	...	-
Index Linked Sep 16	£73.64	74.57	...	-
Property Sep 16	£109.79	115.85	...	-
Cash Sep 16	£31.4400	31.4400	...	-
Pru-Linked Retirement Plan				
Managed Sep 22	454.2	473.2	+40.2	-
Cash Sep 22	288.7	301.1	+0.6	-
Prudential Pensions Investment Account				
Pens Mngd Sep 24	180.3	197.5	+1.8	-
Pens UK Eq Sep 24	318.6	343.5	+2.6	-
Pens Intl Sep 24	209.3	224.5	+2.6	-
Pens Global Eqty Sep 24	102.6	108.0	+1.0	-
Pens Fixed Sep 24	248.2	261.9	+2.2	-
Pens Index Lk Sep 24	203.3	214.7	+7.9	-
Pens Property Sep 24	88.8	93.5	...	-
Pens Cash Sep 24	188.6	198.6	...	-
Money Purchase Plan				
Discretionary Sep 23	101.8	109.2	+0.7	-
Equity Sep 23	104.2	112.1	+1.2	-
International Sep 23	93.8	100.2	-0.4	-
Global Equity Sep 23	101.1	108.5	+0.6	-
Intl Bond Sep 23	109.2	114.9	+0.6	-
Fixed Interest Sep 23	113.9	119.7	+0.5	-
Index Linked Sep 23	104.7	110.1	+5	-
Property Sep 23	99.1	108.7	...	-
Cash Sep 23	107.6	113.0	+0.1	-

Prudential Individual Life Funds

1 Stephen St, London W1P 2AP 071-548 3287

	Bid Price	Offer Price	+ or -	Yield Gross
Series I Life Funds				
Managed	594.6	625.9	+6.1	-
Equity	1194.6	1257.5	+5.7	-
Fixed Interest	505.2	531.8	+6.6	-
Property	391.6	412.3	+0.1	-

Sun Alliance Group—Contd.

Windsor Life Assur Co Ltd—Contd.

Royal Life Intl. Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Life UK Mixed Fd	£1.202	1.293	+0.008	-
Royal Life Gilt Fd	£1.623	1.746	+0.001	-
Royal Life UK Equ Fd	£1.086	1.168	-0.01	-
Royal Life Amer Fd	£0.918	0.988	+0.052	-
Royal Life Euro Fd	£0.921	0.991	+0.028	-
Royal Life Far East Fd	£0.771	0.830	+0.028	-
Ryl Life Intl Grth Fd	£0.793	0.853	+0.009	-
Royal Life Intl Prop	£1.660	1.786	+0.053	-

Fidelity Money Funds—Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

PO Box 24b, St Peter Port, Guernsey 0481 723021

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

هكذا حالة الأصل

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gartmore Fund Managers (IoM)						
PO Box 32, Douglas, IoM 0624 627610						
Intl Grth	5¼	512.8	512.8	550.4	+5.9	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
L.J. International	5¼	93.42	93.42	100.24	+4.22	–
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662258						
Merc IoM Fund	5	104.9	104.9	111.9	+1.28	6.0
Merc Intl Bond	5	56.91	56.91	59.81	+0.60	7.5
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 622444						
Secure High Income	6	1.098	1.0501	1.1258		9.9
Unibank Scandinavian Fund Ltd						
19-21, Cheddar Rd, Douglas, IoM 0624 629420						
Scandinavia Fd	5	–	126.38	134.68	....	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
ATC Fund Management (SG) Ltd				
SG International	$10.57		.....	–
SG Sterling International	£10.23		.....	–
AXA Equity & Law Intl Fund Mgs				
European Equity	159.81	161.88	-0.99	–
Far Eastern Equity	$2.2093	2.3252	+0.0137	–
North Amer Equity	$1.7079	1.7975	-0.0187	–
UK Equity	162.03	170.55	-0.19	–
Global Equity	114.35	120.35	-0.07	–
UK Gilt & Fxd Int	101.34	106.66	+0.43	–
Dollar Deposit	$0.9813			–
Sterling Deposit	£101.31		+0.02	–
Managed Currency	105.75	111.30	+2.12	–
Appleton Financial Advisors Ltd				
Appleton Capital Trust	94.0	100.0	...	–
CMI Fund Mngrs (IOM)				
Traders Fund Ltd	$15.01	16.22	-0.011	–
*Dealings Wednesday				
City Financial Adminn (IoM) Ltd				
Bechman Gold & Warrants	0.55	0.66	+0.02	0.00
Bechman Natural & Warrants	$0.95	1.14	-0.13	0.00
Bechman Reserve Assets	104	104	+1.0	0.00
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling	115.5	121.3	.....	4.8
DL International	$1.49	1.58	..	2.1
For Equity & Law see AXA Equity Law				
Gartmore Fund Managers (IoM)				
Intl. Inc.*	15.4	16.3	+0.1	12.0
* Projected Yield				
John Govett Management (IoM) Ltd				
Paragon Plat Red Sep 1	$8.49		.....	–
Paragon Stlg Red Sep 1	£10.06		.....	–
SE Asian Wrt NAV Sep 17	$9.89		.....	–
Govett Mgd Ftrs Sep 18	£14.10	15.42	.....	–
Govett Mngd Ftrs Sep 18	$10.12	11.07	.....	–
Otr Geared Gld Sep 18	$8.19		.....	–
IBI Global Funds Limited				
Intl Stlg Grth	£18.57	19.56	+1.28	–
Intl $US Grth	$17.99	18.95	+0.03	–
High Income Gilt	£24.60	25.50	-0.39	–
International Equity	£18.52	19.51	+1.50	–
International Bond	£20.97	21.74	+1.14	–
Managed Currency	£26.22	26.49	+0.96	–
Sterling Currency	£26.03	26.31	+0.08	–
US$ Currency	$37.62	38.01	+0.01	–
Irish £ Currency	I£14.85	15.01	.....	–
Target International (Isle of Man) Ltd				
HMC Offshore Fd	£7.57	8.18	.....	–
B.F. Offshore Inc Fd Ltd	£9.95	10.39	.....	–
LFM Sterling Fd	£10.44	10.88	.....	–

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Sep 17 C$12.72						
First Aust Prime Inc Inv Co Ltd NAV Sep 17 US$10.44						
NAV Diluted to reflect exercise of all Wrts C$12.31 US$10.27						
Fidelity Investment (CI) Ltd						
Sterling American			£2.551	2.685	...	–
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Deutschland Inv Co NAV			DM16.53			–
Foreign & Colonial Mngmt (Jersey) Ltd						
Hypo Foreign & Colonial Reserve Asset Fd Ltd						
US$ Cash			$10.830		+0.003	–
Sterling Cash			£12.286		+0.003	–
US$ Bonds			$15.523		+0.041	–
Multicurrency Bonds			$20.638		-0.053	–
Sterling Bonds			£13.750		+0.119	–
D Mark Bonds			DM10.956		+0.007	–
Ecu Bonds			Ecu11.614		+0.038	–
UK Equities			£10.638		+0.158	–
US Equities			$16.803		-0.056	–
Japanese Equities			Y629.5		-0.3	–
Contl Euro Equities			DM15.858		-0.045	–
UK Negative Equities			£12.407		-0.192	–
US Negative Eq			$9.972		+0.037	–
Japanese Negative Eq			Y–		.....	–
Contl Eur Negative Eqs			DM–		.....	–
UK Geared Equities			£10.705		+0.306	–
US Geared Equities			$–		.....	–
Japanese Geared Eqs			Y–		.....	–
Contl Euro Geared Eqs			DM10.617		-0.071	–
Gold			$10.381		+0.019	–
Protected Capital Plus			£10.00		.....	–
John Govett Management (Jersey) Ltd						
$ Inv Sndg Fd NAV Sep 18			$7.90		...	–
Paragon Fd NAV Aug 28			$10.89		...	–
Paragon Redemption			$10.25		...	–
INVESCO MIM International Limited						
All Funds deal daily except where indicated.						
Sterling Denominated Income Funds						
American Equity Inc			£1.574	1.609	+0.013	2.28
Japan Inc & Grth			£1.310	1.406	+0.016	2.60
Sterling Denominated Growth Funds						
Capital Deposit			£37.28	37.29	.....	–
European Perform			£0.4106	0.4415	+0.0046	–
Far East			£2.247	2.416	+0.040	–
Pioneer Markets			£3.202	3.443	+0.030	–
UK Growth			£1.131	1.216	-0.018	2.35
£ Mng Portfolio			£1.457	1.575	+0.024	–
US Dollar Denominated Growth Funds						
Gold & Prec Mtls			$0.685	0.737	-0.009	–
Japan Performance			$2.101	2.259	-0.001	–
Gtd NW 1994 **			$8.99		.....	–
MIM London Agents						
Apollo Fd Sep 23*			SFr77.0	82.43	-2.09	–
*Weekly Dealing †Fortnightly Dlng. **Monthly Dlng.						
Lloyds Bank Trust Co (CI) Mngrs						
Lloydstrust World Inv Port			£2.206	2.316	.....	1.34
Dealing weekly on Thursday						
Management International (Jersey) Ltd						
Anchor Gilt Edge (z)			£9.58	9.63	+0.08	9.76
Minerals, Oils Res. Shrs. Fd. Inc.						
Mores Sep 17			$14.54	14.84	.....	2.70
Nat. Westminster Jersey Fd. Mgrs. Ltd						
Sterling Income(z)			52.8	55.0	.....	8.50
UK Equity Fd (z)			199.2	212.0	.....	3.02
*Intl Bond Fd			89.2	92.0	.....	7.57
**Natural Resources Fd			109.7	118.0	.....	–
*Sterling Mngd Asst Fd			483.9	510.0	.....	5.00
*Sub. day every Thurs. **Sub day monthly 5th and 20th						
NatWest TrustCur Currency Fund (z)						
Dollar Class			$37.9210		-0.0004	–
Sterling Class			£26.4661		+0.0098	–
D-Mark Class			DM82.0403		+0.0049	–
Dutch Guilder Class			Dfl81.6669		+0.0084	–
Japanese Yen Class			Y7905.9821		(z)	–

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Battle to save the French franc

THE Bank of France and the German Bundesbank intervened heavily on the foreign exchanges yesterday to support the French franc, after the currency threatened to move close to its floor against the D-Mark in the European exchange rate mechanism, *writes James Blitz.*

The 13-year old ERM was founded on the linkage of the French franc and the D-Mark, and the future of the system now depends on whether a devaluation of the franc, which France would find humiliating, can be avoided.

The French central bank raised its key money market lending rate by 2.5 per cent yesterday and then intervened continuously in the foreign exchange markets. Several analysts suggested last night that France's foreign exchange reserves were exhausted, but there was no official indication of this.

The Bundesbank intervened to support a currency within its margins for the first time since the ERM was founded. There were suggestions that Germany has spent DM30bn in support of the franc this week, on top of the DM60bn spent to shore up sterling and the lira. Overnight rates in the German money market were at 0.5 per cent, down from 6 per cent on Tuesday, reflecting the colossal quantity of D-Marks in the financial system.

By last night, the battle between the markets and the central banks seemed evenly matched, with the French currency finishing at FFr3.4120 to the D-Mark, against a lower limit of FFr3.4305.

Can the franc hold? France's economy is sound and, far from being a devaluation candidate, there is a case for saying it should be revalued. If necessary, France could play what one analyst called "dirty tricks" to aid the currency. It could temporarily suspend the five to 10-day lending window in the French money market, as it did for 20 minutes last Friday. Alternatively, it could reintroduce capital controls, as Spain did yesterday, to make franc trading less liquid.

However, there were signs yesterday of a fundamental flow out of the French currency by investment funds with huge currency holdings. One London based economist said his bank had seen a German pension fund sell French francs in large quantities.

The peseta rocketed against the D-Mark after Spain announced reimposition of capital controls. It opened at Pta71.91 per D-Mark, closed in London at Pta67.64 and moved from the bottom of the EMS grid to the top. Dealers said the peseta market was now illiquid. Spot exchange was still possible, but currency swaps were very difficult to execute.

The Irish punt remained under intense pressure, ending at DM2.6240, not far above its floor of DM2.6190. The Portuguese escudo finished weakly at Esc88.75 per D-Mark, compared to its floor of Esc92.33.

£ IN NEW YORK

Sep.23	Close	Previous Close
£ Spot	1.7155-1.7165	1.6945-1.6955
1 month	0.92-0.89pm	0.90-0.87pm
3 months	2.54-2.51pm	2.42-2.37pm
12 months	7.70-7.60pm	8.00-7.70pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 23	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	139.176	135.025	-2.98	2.66	35
Dutch Guilder	2.29193	2.23182	-2.62	2.28	49
Belgian Franc	41.9547	40.8664	-2.59	2.25	47
D-Mark	2.03412	1.98508	-2.41	2.06	51
French Franc	6.82216	6.75714	-0.95	0.55	-37
Danish Krone	7.75901	7.70079	-0.75	0.35	-40
Portuguese Escudo	176.844	175.737	-0.63	0.22	-6
Irish Punt	0.759300	0.756237	-0.40	0.00	-55

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6820 - 1.7140	1.7080 - 1.7090	0.92-0.89cpm	6.36	2.48-2.45pm	5.77
Canada	2.0785 - 2.1245	2.1195 - 2.1205	0.82-0.71cpm	4.33	2.04-1.85pm	3.67
Netherlands	2.8180 - 2.8910	2.8775 - 2.8875	¼cpm-par	0.52	½-¼pm	0.43
Belgium	51.55 - 52.95	52.75 - 52.85	5-3cpm	0.91	9-6pm	0.57
Denmark	9.7460 - 9.9760	9.9175 - 9.9275	N/A		N/A	
Ireland	0.9525 - 0.9820	0.9800 - 0.9810	1.00-0.40pm	8.57	1.75-1.10pm	5.81
Germany	2.5305 - 2.5725	2.5625 - 2.5675	¾-¼pfpm	2.34	½-¼pm	0.58
Portugal	221.30 - 230.60	226.00 - 227.00	N/A		N/A	
Spain	172.95 - 180.70	173.35 - 173.65	91-194cdis	-9.86	242-328dis	-6.57
Italy	2116.30 - 2157.90	2150.50 - 2151.50	13-17liredis	-8.37	35-47dis	-7.62
Norway	10.2250 - 10.3830	10.3175 - 10.3275	N/A		N/A	
France	8.6170 - 8.7720	8.7475 - 8.7575	4-5⅞cdis	-6.77	6¾-8¼dis	-3.54
Sweden	9.3980 - 9.6080	9.5750 - 9.5850	N/A		N/A	
Japan	203.75 - 206.65	204.75 - 205.75	⅞-¼ypm	4.75	2⅝-2⅛pm	4.87
Austria	17.78 - 18.10	17.99 - 18.02	N/A		N/A	
Switzerland	2.2055 - 2.2460	2.2325 - 2.2425	½-⅛cpm	2.35	1⅝-1¼pm	2.23
Ecu	1.3005 - 1.3155	1.3070 - 1.3080	0.33-0.48cdis	-3.72	0.65-0.92dis	-2.40

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.37-4.32pm. 12 Month 7.70-7.60pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Sep 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6820 - 1.7140	1.7080 - 1.7090	0.92-0.89cpm	6.36	2.48-2.45pm	5.77
Ireland†	1.7335 - 1.7440	1.7420 - 1.7430	2.30-1.60cpm	13.43	5.20-4.20pm	10.79
Canada	1.2320 - 1.2430	1.2420 - 1.2430	0.19-0.23cdis	-2.03	0.62-0.70dis	-2.12
Netherlands	1.6805 - 1.7070	1.6875 - 1.6885	0.75-0.80cdis	-5.51	2.20-2.32dis	-5.36
Belgium	30.80 - 31.25	30.85 - 30.95	14.00-16.00cdis	-5.83	42.00-46.00dis	-5.70
Denmark	5.8050 - 5.8800	5.8050 - 5.8100	3.80-3.90oredis	-7.96	10.70-11.00dis	-7.47
Germany	1.4935 - 1.5180	1.5010 - 1.5020	0.59-0.62pfdis	-4.84	1.95-2.00dis	-5.26
Portugal	132.50 - 134.50	132.95 - 133.05	450-950cdis	-63.16	900-1400dis	-34.59
Spain	101.50 - 106.50	101.80 - 101.90	8-11cdis	-1.12	25-35dis	-1.18
Italy	1250.00 - 1273.00	1258.75 - 1259.25	12.00-18.00liredis	-14.3	37.00-45.00dis	-13.03
Norway	6.0295 - 6.1295	6.0400 - 6.0450	8.50-10.50oredis	-18.87	17.00-20.00dis	-12.25
France	5.1000 - 5.1765	5.1200 - 5.1250	3.35-3.40cdis	-7.91	9.15-10.11dis	-7.52
Sweden	5.5705 - 5.6765	5.6050 - 5.6100	13.00-16.00oredis	-31.03	24.00-25.50dis	-17.65
Japan	119.50 - 122.05	120.05 - 120.15	0.09-0.11ydis	-1.00	0.20-0.23dis	-0.72
Austria	10.5275 - 10.6575	10.5275 - 10.5325	5.20-5.60grodis	-6.15	14.90-16.00dis	-5.87
Switzerland	1.3030 - 1.3185	1.3090 - 1.3100	0.35-0.37cdis	-3.30	1.11-1.15dis	-3.45
Ecu	1.2835 - 1.3070	1.3040 - 1.3050	1.10-1.00cpm	9.66	2.70-2.50pm	7.97

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

·Floating rate. Iran Official rate £119.55 563.30

EURO-CURRENCY INTEREST RATES

Sep 23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9¾ - 9½	9½ - 9¼	9½ - 9¼	9⅞ - 9⅛	8¾ - 8⅜	8⅝ - 8½
US Dollar	3⅛ - 3	3⅛ - 3	3⅜ - 3¼	3⅜ - 3¼	3⅞ - 3⅛	3⅞ - 3⅞
Can Dollar	4⅝ - 4¼	4¾ - 4½	5⅛ - 5	5⅝ - 5⅜	5⅝ - 5⅝	6 - 5⅞
Dutch Guilder	8⅛ - 8	9 - 8⅞	8⅝ - 8½	8⅝ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞

Yen per 1,000: French Fr. per 10: Lira per 1,000. Belgian Fr per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Estimated volume 6,021 † Total Open Interest 17,680

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	4.00	-	-	0.32	0.42	-
106	3.10	-	-	0.46	-	-
107	2.37	2.72	-	0.68	0.87	-
108	1.71	2.01	-	0.96	1.21	-
109	1.12	1.51	-	1.41	1.60	-
Open Int.	308,980	68,076	200	226,262	63,893	1,300

Estimated volume 80,384 † Total Open Interest 657,713
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	9	Credit Lyonnais	9	McDonnell Douglas Bnk	9
Allied Trust Bank	10	Cyprus Popular Bk	9	Midland Bank	9
AIB Bank	9	Dao Heng Bank Plc	11	Mount Banking	9
● Henry Ansbacher	9	Duncan Lawrie	10	NatWestminster	9
B & C Merchant Bank	13	Equatorial Bank plc	9	Northern Bank Ltd	9
Bank of Baroda	9	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	9	Financial & Gen. Bank	10	Provincial Bank PLC	14
Bank of Cyprus	9	● Robert Fleming & Co.	9	● Rea Brothers	10
Bank of Ireland	9	Robert Fraser & Ptnrs.	9.5	Roxburghe Bank Ltd.	11
Bank of India	9	Girobank	9	Royal Bk of Scotland	9
Bank of Scotland	9	● Guinness Mahon	10	● Smith & Williamson Secs.	9
Banque Belge Ltd	9	Habib Bank AG Zurich	9	Standard Chartered	9
Barclays Bank	9	● Hambros Bank	9	TSB	9
Brit. Bk of Mid East	9	Hampshire Trust Plc	13.5	Unibank plc	9
● Brown Shipley	9	Heritable & Gen Inv Bnk.	9	● United Bk of Kuwait	9
CL Bank Nederland	9	● Hill Samuel	9	Unity Trust Bank Plc	9
Citibank NA	9	C. Hoare & Co.	9	Western Trust	10
City Merchants Bank	9	Hongkong & Shanghai	9	Whiteaway Laidlaw	9
Clydesdale Bank	9	Julian Hodge Bank	9	Yorkshire Bank	9
Co-operative Bank	9	● Leopold Joseph & Sons	9		
Coutts & Co	9	Lloyds Bank	9		
		Meghraj Bank Ltd	9		

● Members of British Merchant Banking & Securities Houses Association.

EXCHANGE CROSS RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKETS

Cash rates firmer

CASH RATES in the sterling money market firmed yesterday after the Bank of England forecast a very large shortage of £1.95bn at the start of its operations.

Rates had softened markedly the day before, after the Bank announced a reduction in base rates to 9 per cent, with three-month money closing on Wednesday night at around 9⅛ per cent. However, the three-month rate ended firmer yesterday at 9⅛ per cent on the offered side, and the one-month offered rate remained high, at 9½ per cent.

A clearing bank dealer said that the shortage reflected the huge amount of sterling that was bought on the foreign exchanges last week, which is estimated at about £15bn. But the Bank also announced that it would be offering a roll-over of facilities that have been offered to the largest banks, building societies and the gilt edged market to relieve the unprecedented shortage pressures. The interest rate on these facilities will be at the market rate.

Sterling futures rose early in the day after the Bundesbank and the German government showed strong support for the French franc, which came under intense selling pressure on the foreign exchanges. Dealers assumed that the Bundesbank might be prepared to cut interest rates to support the franc, and that this would facilitate another reduction in UK base rates without undermining sterling's position any further.

However, some dealers believe that another UK base rate cut will undermine sterling, pushing up inflation in the longer term. "The 12 per cent devaluation that we have seen so far puts about 3 per cent on UK inflation," said one dealer yesterday.

The December short sterling contract opened at 91.90, but later fell back to finish at 91.80. Strictly speaking this assumes that three-month money at the end of the year will be at 8.1 per cent.

In early operations the Bank purchased £70m in a repurchase agreement at the new rate of 8⅞ per cent. In further operations, the Bank bought £88m of Band 1 bank bills at 8¾ per cent, £48m of Band 2 bank bills at 8¾ per cent, and £558m in a repurchase agreement.

The Bank bought £556m of Band 1 Treasury bills and £535m of Band 1 bank bills. Late assistance was £640m.

UK clearing bank base lending rate 9 per cent from September 22, 1992

MONEY MARKET FUNDS

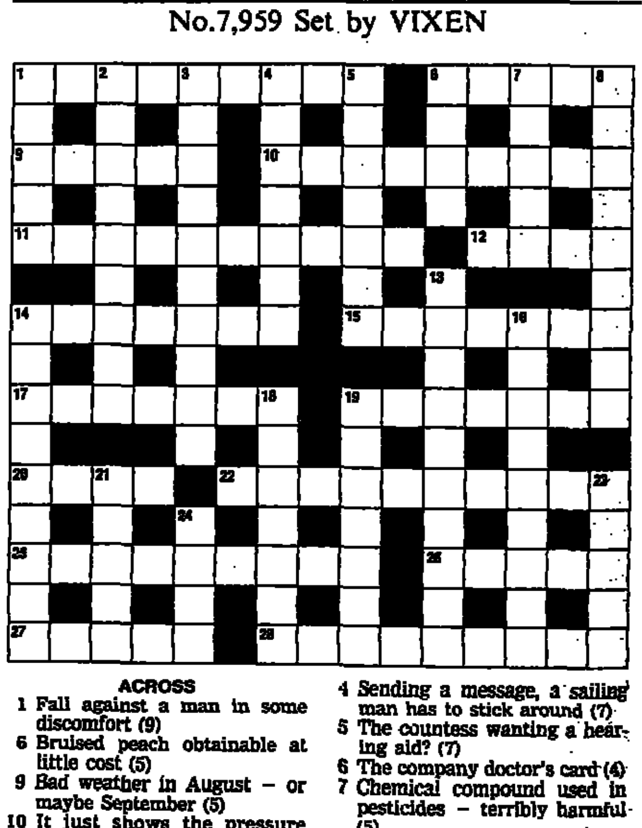
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,959 Set by VIXEN



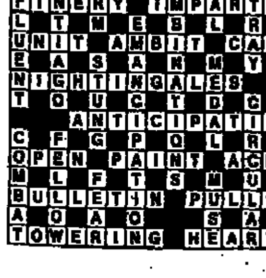
ACROSS

1 Fall against a man in some discomfort (9)
6 Bruised peach obtainable at little cost (5)
9 Bad weather in August – or maybe September (5)
10 It just shows the pressure everybody's under! (9)
11 The guy producing illicit drink put a sparkle into awful moron (10)
12 Many sheep are of small weight (4)
14 Sending off for fine porcelain without trouble (7)
15 A musical *instrument* container only (7)
17 Caused some irritation, that's clear, and went first (7)
19 Outmoded underwear for a woman put in the post (7)
20 A little land is left to the egghead (4)
22 A shrewd old tribesman, by no means obtuse (5,5)
25 Swimmer having a fling – he's going *wild* (5-4)
26 Figures one pores over (5)
27 Very short tin-opener – Irish! (5)
28 See about a stern resolution in serious fashion (9)

DOWN

1 For graduates on retirement in India (5)
2 An advocate put a river record first (9)
3 Making a bid, smiles, which is tolerated (10)
4 Sending a message, a sailing man has to stick around (7)
5 The countess wanting a hearing aid? (7)
6 The company doctor's card (4)
7 Chemical compound used in pesticides – terribly harmful (5)
8 Each one encountered a certain hesitation all round (9)
13 To examine fanciful ideals can cause shock (10)
14 A fellow without means unable to better himself (9)
16 Reveals there's to be a trial involving jewellery (6,3)
18 Waste – refuse (7)
19 In jug, he'll play an American team-game (7)
21 Glare madly when alcoholic drink is served (5)
23 Writing directions for example (5)
24 A song sung for joy? (4)

Solution to Puzzle No.7,958



WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

GERMANY [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

CANADA

TORONTO

4 pm close September 23

[illegible]

MONTREAL

4 pm close September 23

[illegible]

Total Sales 14,704,200 shares

INDICES

NEW YORK

DOW JONES	Sep 23	Sep 22	Sep 21	Sep 18	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3278.69	3280.85	3320.83	3327.05	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.81	102.98	103.07	103.20	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1274.75	1287.65	1295.70	1286.64	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.08	218.52	220.08	220.33	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3302.19 (3327.05) Low 3252.48 (3270.58) (Theoretical)‡
Day's High 3287.33 (3321.10) Low 3265.18 (3280.04) (Actual)

STANDARD AND POOR'S

	Sep 23	Sep 22	Sep 21	Sep 18	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	417.44	417.14	422.14	422.93	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	492.89	492.61	498.91	499.94	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	35.07	35.11	35.47	35.44	36.66 (3/8)	32.40 (8/4)	36.66 (3/8/92)	8.64 (1/10/74)
NYSE Composite	229.42	229.48	231.89	232.39	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	379.91	380.99	382.72	385.50	418.99 (12/2)	374.04 (26/6)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	582.96	583.00	588.58	589.12	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Sep 18	Sep 11	Sep 4	year ago (approx.)
Dow Industrial Div. Yield	3.10	3.12	3.15	3.04

	Sep 16	Sep 9	Sep 2	year ago (approx.)
S & P Industrial div. yield	2.63	2.64	2.63	2.73
S & P Indl. P/E ratio	27.77	27.46	27.52	21.15

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Coca Cola	4,716,000	40¾	-1½
Gen Motors	4,411,300	32⅛	-⅞
Comw Ed	3,518,400	23¾	+¼
Chrysler	3,415,800	22⅞	-1
First Int	3,192,600	38	+¼
Limited	3,103,400	22⅛	-1
Pepsico	2,825,800	37⅛	+⅛
Black & Deck	2,734,900	16⅛	-3⅛
Enquirer	2,464,600	15	-1½
Ford	1,975,200	40½	+¼

TRADING ACTIVITY

† Volume (Millions)	Sep 23	Sep 22	Sep 21
New York SE	204.350	186.990	153.900
Amex	10.099	12.302	10.437
NASDAQ	(u)	204.919	159.458
NYSE			
Issues Traded	2,326	2,307	2,328
Rises	780	537	714
Falls	946	1,200	1,028
Unchanged	600	570	586
New Highs	29	40	56
New Lows	45	44	36

CANADA

TORONTO	Sep 23	Sep 22	Sep 21	Sep 18	1992 HIGH	1992 LOW
Metals & Minerals	2914.57	2900.21	2934.56	2947.65	3238.87 (16/1)	2828.26 (8/4)
Composite	3404.40	3402.80	3420.00	3444.95	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1770.34	1766.68	1775.37	1792.26	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ‡ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Sep 23	Sep 22	Sep 21	Sep 18	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1505.0	1520.8	1531.6	1523.6	1684.50 (22/5)	1478.90 (9/9)
All Mining (1/1/80)	668.5	674.7	677.6	673.4	726.80 (3/7)	652.40 (9/9)
AUSTRIA						
Credit Aktien (30/12/84)	340.98	336.55	341.90	340.39	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	836.05	822.44	839.73	835.70	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1112.26	1114.50	1123.88	1130.24	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	263.98	269.50	273.28	269.39	365.29 (15/1)	263.98 (23/9)
FINLAND						
HEX General (28/12/90)	577.8	577.2	584.5	583.2	935.90 (21/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/82)	485.86	464.68	496.04	494.97	555.93 (12/5)	462.23 (2/9)
CAC 40 (31/12/87)	1828.93	1832.81	1826.06	1882.94	2077.49 (11/5)	1667.72 (25/8)
GERMANY						
FAZ Aktien (31/12/58)	613.94	612.92	618.33	623.4	725.26 (26/5)	582.34 (26/8)
Commerzbank (1/12/53)	1737.70	1734.4	1750.9	1766.2	2043.80 (25/5)	1642.70 (26/8)
DAX (30/12/87)	1557.83	1560.34	1573.86	1589.33	1811.57 (25/5)	1468.91 (25/8)
HONG KONG						
Hang Seng Bank (31/7/64)	5712.64	5740.18	5741.53	5689.32	6162.53 (16/7)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1251.00	1258.56	1242.75	1228.90	1469.57 (17/1)	1196.07 (21/9)
ITALY						
Banca Com. Ital. (1972)	364.54	369.59	380.28	375.51	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	716.0	726.0	749.0	739.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	(c)	18282.72	18066.24	18166.80	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	(c)	1366.16	1355.51	1354.05	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	(c)	1743.13	1747.63	1748.64	2459.85 (6/1)	1582.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	590.84	588.32	587.99	587.54	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS TR Rtn.Gen.(End 1983)	295.0	294.3	295.7	295.8	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	198.8	198.4	199.3	199.4	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE Indl (2/1/83)	585.13	577.42	590.16	594.30	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1387.55	1396.15	1410.65	1421.33	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	358.87	358.64	360.33	360.79	416.99 (21/1)	354.15 (19/8)
SOUTH AFRICA						
JSE Gold (28/9/78)	917.04	925.0	935.0	921.0	1327.00 (21/1)	857.00 (10/9)
JSE Industrial (28/9/78)	4161.04	4146.0	4137.0	4127.0	4689.00 (4/6)	3973.00 (14/8)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	524.35	519.16	521.54	535.02	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	205.22	207.56	210.78	214.97	266.51 (28/2)	203.76 (26/8)
SWEDEN						
Affarsvariden Gen. (1/2/37)	709.2	736.0	745.1	758.7	1014.50 (11/5)	707.20 (10/9)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	864.6	861.9	858.0	861.2	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	648.9	645.7	643.2	645.5	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3529.42	3524.75	3483.90	3437.60	5391.63 (30/1)	3437.60 (18/9)
THAILAND						
Bangok SET (30/4/75)	871.37	863.42	868.75	835.45	871.37 (23/9)	667.84 (19/5)
WORLD						
M.S. Capital Intl (1/1/70) ($)	501.9	504.0	501.9	503.7	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	850.07	856.89	853.36	877.84	976.55 (25/5)	793.32 (25/8)

**Saturday September 19: Taiwan Weighted Price: 3569.93, Korea Comp Ex. 540.55
‡ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable.

Price data supplied by Telekurs.

4 pm close September 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

- B -

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
43¼	35½	BCE x	2.18	6.0	9	832	38½	38⅛	38⅛	-⅛
15⅛	7¼	BET ADR	0.53	6.7	6	127	7⅞	7⅝	7⅞	-⅛
8¼	6⅜	Bairnco	0.20	2.9	14	22	7	6⅞	7	+⅛
19⅛	17	Baker Fent	0.87	4.8		51	18⅝	18⅛	18⅛	
25⅜	15⅞	Baker Hugh	0.46	1.9	104	1447	24⅛	23⅞	24⅛	-⅛
28½	22⅛	Baldor Elc	0.52	1.9	21	51	27⅜	27⅛	27¼	+⅛
39½	31	Ball Corp	1.24	3.9	13	294	31½	d30⅞	31½	+⅛
8½	4⅛	Bally Mfg			9	751	5⅛	5⅛	5¼	+⅛
24⅜	19¾	Baltim G&E	1.44	6.6	15	1238	21⅞	21⅝	21¾	+⅛
9⅝	4½	Balt Bnkcp	0.60	9.8	0	255	6⅝	6⅛	6⅛	-½
50	42⅛	Banc One x	1.28	2.9	13	3418	44¼	43⅝	43⅞	-⅛
9⅝	2¼	BancFlrda			14	141	8⅝	8½	8½	-⅛
30	22	BancoBil V	1.21	6.3	4	30	23	d22	23	+⅝
18⅝	15⅛	BancoCentH			7	4	15½	15⅛	15½	
52	41½	BcrpHawaii	1.29	3.0	10	267	43¼	42⅝	43¼	+⅛
73¼	58⅞	Bandag Inc x	0.60	1.0	19	453	61¼	59	59	-2½
49⅝	35⅛	BankAmerica	1.30	2.9		99823	44⅞	44⅛	44¼	-⅛
76¼	56	Bank Bost	5.00	7.0		2	71¼	71⅛	71¼	+⅜
25⅞	11⅞	Bank Bostn	0.40	2.0		81888	19⅞	19½	19¾	+⅛
44⅝	31	Bk Bostn P	3.20	7.6		23	42	41⅝	42	+⅛
43⅞	30	Bank New Y	1.52	3.6	11	648	42⅛	41¼	41⅞	
47⅝	42½	BankAm A	3.25	7.0		141	46⅝	46⅛	46¼	-¼
83⅜	72¼	BankAm B	6.00	7.4		20	81	80⅞	81	+⅜
66½	50	Bankers Tr x	2.80	4.5	7	1109	63¼	62¼	62⅞	+1.30
30½	20⅝	Barcls ADR	2.07	8.6	82	44	24	23⅞	24	+⅛
34	22½	Bard (C R)	0.52	1.9	23	702	28¼	27⅞	27⅞	-⅛
38⅛	28⅛	Barnes Grp	1.40	4.7	14	58	30	29¾	29⅞	+⅝
40½	31	Barnett Bk	1.32	3.5	16	1707	37¼	36⅛	37¼	+½
7½	4⅞	Baroid x	0.20	2.6	34	1332	7⅛	7⅛	7⅛	+⅛
8⅝	5⅞	Battle Mt	0.10	1.6	30	1255	6⅛	6⅛	6⅛	
60¼	44½	Bausch Lmb	0.90	1.5	33	641	52½	51⅜	52¼	+⅝
40⅞	32⅛	Baxter	0.86	2.5	18	6338	34⅛	34⅛	34½	-⅛
25½	20¼	Bay St Gas	1.38	5.5	16	64	25	24⅝	25	+¼
25⅜	21⅝	Bd Tr 1838	1.82	7.4		45	24⅞	24½	24⅝	-⅛
19⅝	14⅞	Bear Strns	0.60	3.8		51694	15⅞	15⅝	15⅝	-⅛
46¼	43⅞	BearStPfA	3.25	7.0		5	u46⅛	46⅛	46⅛	
23¼	16¼	Bearings	0.64	3.7	71	31	17⅛	16⅞	17⅛	+¼
23⅝	17⅞	Beckman In	0.32	1.4	15	583	22⅝	22⅜	22½	+⅛
78⅞	64⅛	Becton Dks	1.20	1.6	15	927	76	75¾	75¾	-⅛
37½	25⅞	Belding Hy	0.64	2.1	22	6	30⅝	30⅝	30⅝	-¼

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close September 23

NASDAQ NATIONAL MARKET

4 pm close September 23

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		20	5688	19	18	18¾	
Xoma Corp		6	1845	10¾	d10¼	10½	+¼
Yellow Fr	0.94	20	721	24⅛	23⅝	23¾	-⅛
York Rsch		6	2012	6½	6$\frac{7}{16}$	6½	+$\frac{3}{16}$
ZionsUtah	1.44	11	165	u59	57	57½	

AMERICA

Equities calmer after slight bonds recovery

Wall Street

US SHARE prices were little changed at the end of trading yesterday after the European currency crisis, domestic political and economic concerns and apprehension about third-quarter earnings had dampened investor demand for stocks, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was off just 2.16 at 3,278.69, having spent most of the day a few points below Tuesday's close. The Standard & Poor's 500 shed a mere 0.29 at 417.43, while the American SE composite was down 1.09 at 379.90 and the Nasdaq composite 0.04 easier at 582.96. Turnover on the New York SE was 206m shares.

Tuesday's losses were linked to heavy declines in the bond market, where concern about inflation had sparked a substantial sell-off. The fact that bond prices were slightly better yesterday therefore helped to calm equity markets.

The background to trading, however, remained troubling. Renewed pressure on the French franc, in spite of a jump in French interest rates, confirmed that the European currency crisis was not over. Some analysts hope that turmoil overseas will persuade international investors to buy US assets for safety, but so far there has been little evidence of foreign investors rushing into US stocks or bonds.

The domestic fundamentals, meanwhile, remain mixed, and investors are awaiting the third-quarter reporting season with some trepidation. They are particularly fearful that, because of slower than expected economic growth during the summer, companies will soon be warning that their earnings will fail to match expectations.

A case in point yesterday was Black & Decker, which tumbled $3¼, or 16 per cent, to $16⅛ in turnover of 2.5m shares after the company warned that net income for the third quarter would be in the range of the meagre $12m it earned in the second quarter.

Another profits warning came from Fleming Companies, the shares declining $1 to $30¼ after the wholesale food group said its earnings would be about $3.10 a share for 1992, and not between $3.20 and $3.30 a share as originally estimated.

General Motors remained in the doghouse, falling a further $1 to $32 on volume of 3.7m shares as more and more auto analysts drop the stock from their recommended lists. GM's weakness spread to Chrysler, which lost $1 at $22¾, but Ford resisted the selling and edged $¼ higher to $40¼.

Alexander's advanced $3¾ to $27 after announcing that it had agreed to sell six store properties to Bradlees in a deal worth about $82m. Bradlees was down $¼ at $13.

On the Nasdaq market, Video Lottery plummeted $10 to $14 on turnover of 3.3m shares following news that the Gaming Commission in the state of Victoria in Australia had voted to remove the company from its list of approved manufacturers.

Canada

THE TORONTO market closed mixed but at its best point of the day as worries about the weak Canadian dollar continued to plague equities. The currency lost a further ⅛ cent, making its fall so far this week more than three cents.

The TSE 300 index finished a slight 1.54 up at 3,404.4, but declines outscored advances by 308 to 262 after volume of 30.5m shares valued at C$323.2m.

Stelco "A" fell 30 cents to C$2.55. The United Steelworkers union said Stelco plans to lay off about 630 union workers and 150 management and staff by the end of November.

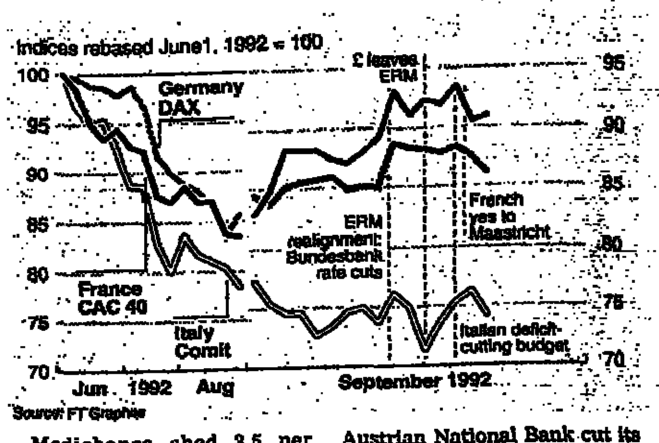
EUROPE

Short-lived Paris rally on rates move

THE TURMOIL in Europe's currency markets continued yesterday with defensive initiatives from France and Spain, and more positive moves in the strong currency markets of Belgium and Austria, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Sep 23								
Hourly changes								
Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close	
1044.11	1045.76	1047.52	1053.15	1053.31	1050.46	1045.21	1043.77	
Day's High 1055.00				Day's Low 1043.42				
Sep 22	Sep 21	Sep 18	Sep 17	Sep 16				
1044.34	1050.43	1070.95	1058.13	1053.63				

Base value 1000 (26/10/90)



Source: FT Graphite

Equity investment reflected extremes of sentiment with Switzerland, once again the fiscally safe haven, performing well and Sweden, afraid of an ERM collapse, higher interest rates and more disasters within its own banking sector, back in the pits again.

PARIS initially rallied after the central bank raised key interest rates, before falling back on fears that efforts to support the franc may fail. The CAC-40 index, which had seen a high of 1,851 during the session, retreated to close 3.88 lower at 1,828.93. Turnover was steady at FFr2.5bn.

Basket-trading was reported to have contributed to the fall in some defensive stocks, including L'Oréal's 4.6 per cent decline as its shares closed down FFr46 at FFr961. Air Liquide reflected first half results issued after Tuesday's close. The 5 per cent rise in profit was below expectations and the stock lost FFr14 to FFr747.

Lafarge came off FFr11 to FFr279 ahead of figures, released just after the close, which were slightly better than expected, while Crédit Lyonnais lost a further FFr22.50 on its investment certificates to FFr484.50 following Tuesday's bad half-year results.

FRANKFURT re-ran the twin themes of interest rate cut hopes, and fears of industrial recession. The obvious international blue chips moved both ways, although the DAX index rose 7.49 to 1,557.83.

Banks rose on the rate talk, with the interest-sensitive Bavarians in the van. Bayernhypo and Bayernverein both put on DM9.50, to DM393 and DM409.50 respectively, and Deutsche Bank ended DM11.50 higher at DM661.50; among insurers, Allianz followed suit, up DM37 to DM1,824.

Carmakers and chemicals, once again, were not so ebullient. BMW continued to lose ground in its sector, DM11.50 lower at DM514 as Volkswagen stayed flat at DM306.50. Hoechst, recently the strongest of the big three chemicals, fell DM1.70 to DM244.50 while BASF and Bayer came out fractionally ahead.

MADRID was uneasy at the reintroduction of currency controls and fears persisted of a further 5 per cent peseta devaluation. The general index closed off 2.34 at 205.22 while the Ibex was 1.6 per cent lower. Turnover slipped to Pta12bn from Pta15bn.

Mr Victor Galliano of Baring Securities said that the measures taken by the central bank yesterday might have bought a bit of time, "but if sentiment turns negative again there may have to be a further devaluation". He added that Spain's commitment to the ERM might well leave the peseta "in the slow lane of a two-speed Europe."

AMSTERDAM, calm in the eye of the storm, was speculating that the central bank may cut interest rates today, independently of any move by the Bundesbank. The CBS Tendency index rose 0.6 to 113.1.

BRUSSELS took little notice of a cut in local interest rates and the Bel-20 index lost 2.24 to 1,112.26 in turnover of BFr691m. Delhaize put on BFr20 to BFr1,530, helped by the stronger dollar. Clabecq rose BFr122 to BFr552, having lost more than 50 per cent over the previous four trading days.

MILAN recovered from early lows to close with the Comit index 5.05, or 1.4 per cent lower at 364.54 after a fall of around 2 per cent in the morning. But dealers said that the mood remained gloomy and that the price changes were only technical corrections.

Mediobanca shed 3.5 per cent, Fiat 2.5 per cent and Sip 2.7 per cent in heavy trading. Fiat, which is due to announce half-year results today, rebounded on the kerb to end the day at L3,640 against an official close of L3,578.

ZURICH rose in strong volume, its relatively high monetary and political stability taking the SMI index up by 12.8 to 1,913.4. One dealer said that French investors, in particular, were channelling funds into Switzerland, attracted by lower interest rates and a rally in the bond market after UBS cut rates on all cash bonds by a quarter of a percentage point to 6½ per cent.

Banks, the quickest to gain, topped the active list as CS Holding rose SFr20 to SFr1,930 and SBC firmed SFr5 to SFr278. Chemicals were also in demand with Ciba-Geigy registered SFr12 higher at SFr643.

VIENNA was firmer after the Austrian National Bank cut its intervention rate leading to speculation of further interest rate reductions. The ATX index advanced 13.61 or 1.6 per cent to 836.05. Creditanstalt advancing Sch5 to Sch435 in spite of warning that dividends may be cut this year.

STOCKHOLM fell sharply, and closed at the day's low. Swedish institutions were perceived as sellers, partly due to the troubles of the domestic financial sector and a need to create liquidity. High interest rates and a lack of foreign interest completed the story.

The Affärsvärlden General index fell 26.8, or 3.6 per cent to 709.2. All sectors fell, but banking continued to bear the brunt of the decline, dropping by 10.6 per cent. S-E Banken, which has claims of about SKr1bn on Gota, which recently suspended payments to creditors, fell to a new 1992 low of SKr9.50, down SKr2.50.

Venezuela's rally fades on disappointed hopes

Political instability and high inflation continue to dampen investor sentiment, writes **Joseph Mann**

Venezuela's economy, which posted the highest real growth in Latin America last year at 10.4 per cent, continues to expand vigorously in 1992 but the Caracas equity market is lagging far behind.

In spite of occasional rallies, share prices on the Bolsa de Valores de Caracas have been unable to recover to levels reached last February 3, the day before a group of army officers staged the first coup attempt seen in Venezuela since the early 1960s.

The day prior to the putsch, the Caracas Stock Exchange index set an all-time high of 34,142, up 16.5 per cent from the end-1991 close of 29,316. By June 30, the index was off 23 per cent from the February 3 high and down 10.2 per cent from the end of last year.

This week prices picked up slightly on Tuesday, but the general trend in recent weeks has still been clearly downwards.

Mr Alex Dalmady, editor of InvestAnalysis Stock Guide, which examines Venezuelan stocks, talks of disappointed hopes: "There were great expectations that we might have a late-year boom, but everyone anticipated and the rally disappeared."

He notes, however, that many price/earnings ratios have dropped to more attractive levels in recent months. He estimates that Venezuelan industrial shares are now trading at around 21 times earnings, while financial issues are standing at around 18. Earlier in the year, some leading stocks were being dealt at an average of 38 times earnings.

While the political instability following last February's military uprising may have had a depressing effect on stock prices, it is also the case that more new issues have been launched this year than at any time in the history of the Caracas exchange.

Most Active Stocks, First Eight Months of 1992

Company	Shares traded (million)
Mantex	219.2
Sudamtex	140.5
La Electricidad	120.8
Sivensa	109.9
Envases	50.0
CADA	23.1
Vencemos	18.8
Corimon B	17.9
Dominguez & Cia	14.1
Corimon A	13.6
Mavesa	12.6
Sudamtex B	1.9

Source: Caracas Stock Exchange

The debutantes include Mavesa, a leading food processor; HL Boulton, a family-held company that decided to sell shares to the public; and Ventane, an industrial concern owned by Enron, of the US. Three important industrial companies – Venprecar (part of the Sivensa steel group), Corimon and Venepal – launched Global Depositary Shares (GDSs). These companies were traded on the Caracas exchange before they sold GDSs abroad.

Mr Dalmady said that while these new listings widen the Venezuelan stock market and will strengthen it over the long term, the immediate effect of their appearance this year is a dampening influence on any general rally in stock prices.

Several other Venezuelan companies are planning to offer shares to the public in the near future. The biggest is CANTV, the national telecommunications group which was privatised late last year. A group headed by GTE, of the US, paid $1.89bn to the Venezuelan government for 40 per cent of CANTV's shares and operating control over the company. The government is now planning to place some of its remaining shares on the block, perhaps in 1993.

Although Venezuela's inflation this year is expected to be as bad or worse than last year's 31 per cent, the country's currency, the bolivar, has not weakened to anything like the same extent. Strong government monetary reserves and an unstated policy of avoiding any excessive drop in the bolivar's value vis-a-vis the US dollar has kept the currency's slide thus far this year to 11.9 per cent (at 69 bolivars per dollar).

An important unknown factor is how Venezuela's political uncertainties will affect the stock market during the remaining months of 1992. The government of President Carlos Andres Perez obtained two months of relief from nagging student protests during August and September. But classes will soon resume and it is expected that university and high school students will renew their demonstrations against the government's free-market policies and continue to press for the resignation of President Perez.

ASIA PACIFIC

Bangkok finds support as Australia weakens

Roundup

TOKYO took the day off for a public holiday, but there was movement elsewhere in the region yesterday.

BANGKOK thanked the bullish mood of Thais in rural areas as equities resumed their uptrend, the SET index moving ahead 7.95 to 871.37 in volume of 245m shares valued at Bt17.8bn, compared with 242m shares and Bt18.6bn the day before.

Buying was active in the finance, bank and property sectors, with Bangkok Land, the most active stock in terms of turnover value, firming Bt1 to Bt150.00 on 11m shares traded.

A malfunction in the SET's computer, which has processed unprecedented levels of business in the latest rally, suspended trading for about 10 minutes just before the market closed.

The finance sector index posted the day's sharpest advance, 3.1 per cent. The property share index rose 1.5 per cent and banks were up 1.1 per cent. Finance companies are expected to report strong third-quarter earnings, bolstered by recent record trading volume.

SEOUL rebounded from two days of losses, brokers remarking upon the emergence of so-called northern shares, related to trade with former or current communist countries. The composite index finished 5.19 better at 524.35 in moderate turnover of Won193.5bn, down from Tuesday's total of Won226.1bn. Gainers outnumbered losers 529 to 193 with 163 unchanged.

Sunkyong moved forward Won800 to Won16,100 on reports that Choi Jong-hyun, the group's chairman, will accompany President Roh Tae-woo on Roh's visit to China later this month, along with 30 other officials studying the investment environment and the Chinese market.

Daewoo gained momentum on rumours that Kim Woo-joong, its chairman, will join an economic feasibility team to North Korea later this month, but the stock also saw selling pressure on Kim's rumoured involvement in forming an opposition party.

AUSTRALIA closed weaker for the second consecutive day because of uncertainty on overseas markets, Wall Street's 40-point fall on Tuesday keeping institutional investors out and leaving the All Ordinaries index 15.8 lower at 1,505.0. Over the past two days the index has lost 26.6, or 1.7 per cent.

Turnover increased from A$165m to A$195m. Foster's Brewing declined 6 cents to A$1.24 in turnover of 3.8m shares as investors remained concerned that its A$1bn rights issue might not be fully subscribed by shareholders.

MANILA fell afresh, depressed by the spate of kidnappings which has hurt the economically influential Filipino-Chinese community, and other factors such as the continued threat from the Mount Pinutabo volcano.

The composite index lost 8.60 to 1,387.55 following Tuesday's 14.50 retreat. Turnover fell to 87m pesos from Tuesday's 91m pesos.

SOUTH AFRICA

JOHANNESBURG industrials and financials lifted the overall index by 10 to 3,183 in spite of continued delays in the official announcement of the ANC/government summit. Industrials closed 15 higher at 4,161 but golds shed 8 to 917.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY SEPTEMBER 23 1992								TUESDAY SEPTEMBER 22 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	127.83	−1.1	110.93	97.04	99.79	117.58	−1.1	4.17	129.25	112.13	98.98	100.09	118.89	153.68	124.36	151.08
Austria (19)	159.82	+0.6	138.69	121.34	124.76	124.27	+1.1	2.35	158.93	137.88	121.71	123.08	122.90	186.70	139.27	181.21
Belgium (42)	139.82	−0.7	121.33	106.14	109.14	106.55	−0.4	5.78	140.86	122.20	107.87	109.08	106.99	152.27	135.87	127.91
Canada (114)	121.95	−1.0	105.82	92.58	95.19	109.72	+0.0	3.21	123.12	106.81	94.28	95.34	109.75	142.12	121.95	135.43
Denmark (33)	197.68	−2.0	171.54	150.08	154.32	156.14	−1.9	1.82	201.78	175.05	154.53	156.26	159.24	273.94	196.78	252.41
Finland (15)	52.84	−2.0	45.86	40.12	41.25	52.57	−0.8	2.69	53.94	46.79	41.31	41.77	52.98	89.60	52.84	88.82
France (102)	156.65	−0.7	135.94	118.92	122.28	125.87	−0.5	3.57	157.69	136.80	120.75	122.10	128.21	168.75	148.06	143.10
Germany (64)	113.64	−0.6	98.61	86.28	88.70	88.70	+0.2	2.58	114.34	99.20	87.58	88.54	88.54	129.69	111.97	110.73
Hong Kong (53)	236.82	−0.8	205.50	179.78	184.87	235.01	−0.8	3.65	238.70	207.08	182.80	184.86	236.91	259.55	176.36	162.07
Ireland (16)	150.46	−3.3	130.56	114.22	117.45	121.67	−1.3	4.44	155.60	134.99	119.16	120.50	123.31	173.71	145.54	160.08
Italy (78)	50.36	−2.2	43.70	38.23	39.31	47.38	−1.1	4.40	51.50	44.68	39.44	39.88	47.90	80.86	49.25	72.15
Japan (473)	113.95	+0.9	98.88	86.50	88.96	86.50	+0.0	0.98	112.96	97.99	86.50	87.49	86.50	140.95	87.27	134.26
Malaysia (69)	241.91	+0.1	209.92	183.64	188.83	233.90	+0.2	2.82	241.71	209.69	185.10	187.17	233.33	250.47	212.49	197.72
Mexico (18)	1202.04	−2.0	1043.10	912.55	938.34	4092.56	−1.4	1.47	1226.45	1063.97	939.23	949.75	4149.53	1789.77	1202.04	1195.55
Netherland (25)	161.65	−0.8	140.27	122.72	126.19	124.54	+0.2	4.55	163.01	141.41	124.83	126.23	124.28	167.29	147.88	139.10
New Zealand (14)	42.34	+0.2	36.74	32.14	33.05	41.74	−0.1	5.30	42.25	36.65	32.38	32.72	41.79	48.52	41.90	45.57
Norway (22)	143.40	+0.8	124.44	108.87	111.95	117.61	+1.2	2.06	142.27	123.42	108.95	110.17	116.25	192.95	136.40	197.64
Singapore (38)	183.56	+0.0	159.29	139.36	143.29	135.64	+0.2	2.42	183.51	159.20	140.53	142.10	135.43	229.83	180.71	190.61
South Africa (61)	175.38	−0.5	152.19	133.14	136.90	155.96	+0.3	3.27	176.21	152.88	134.94	136.45	155.45	263.60	175.03	249.24
Spain (48)	123.77	+3.0	107.41	93.97	96.62	95.50	−1.2	6.26	120.20	104.27	92.05	93.08	98.70	161.72	120.20	158.55
Sweden (30)	159.93	−3.8	138.79	121.42	124.85	132.77	−3.5	3.10	166.24	144.21	127.31	128.73	137.63	200.28	159.93	193.54
Switzerland (60)	117.50	+0.0	101.98	89.21	91.73	95.39	+0.5	2.24	117.56	101.98	90.03	91.05	94.89	118.45	95.99	93.39
United Kingdom (228)	174.50	−0.2	151.42	132.46	136.20	151.42	−0.2	4.86	174.88	151.71	133.91	135.41	151.71	200.07	165.85	161.06
USA (522)	170.22	+0.1	147.72	129.23	132.89	170.22	+0.1	2.98	170.09	147.56	130.26	131.72	170.09	173.39	160.92	157.23
Europe (782)	140.73	−0.5	122.12	106.84	109.86	116.13	−0.2	4.08	141.38	122.65	108.27	109.49	116.41	156.88	138.52	142.07
Nordic (100)	147.29	−2.8	127.82	111.82	114.98	115.90	−2.6	2.58	151.56	131.48	116.06	117.36	118.98	188.52	147.29	186.75
Pacific Basin (715)	117.95	+0.7	102.35	89.55	92.08	91.56	−0.1	1.31	117.15	101.63	89.72	90.72	91.63	141.97	93.70	135.04
Euro − Pacific (1497)	127.17	+0.2	110.35	96.54	99.27	101.57	−0.2	2.55	126.86	110.14	97.22	98.31	101.73	145.21	113.80	138.17
North America (636)	167.21	+0.0	145.10	126.96	130.55	166.10	+0.1	2.99	167.16	145.01	128.03	129.47	165.98	170.49	158.70	155.82
Europe Ex. UK (554)	120.25	−0.6	104.35	91.31	93.89	96.52	−0.3	3.51	121.01	104.98	92.69	93.73	96.79	132.98	119.63	118.99
Pacific Ex. Japan (242)	157.18	−0.7	136.40	119.34	122.71	141.83	−0.7	3.69	158.26	137.29	121.22	122.57	142.79	175.91	149.00	142.69
World Ex. US (1690)	128.10	+0.1	111.17	97.28	100.01	103.45	−0.2	2.57	127.97	111.02	98.01	99.10	103.61	146.91	116.18	139.88
World Ex. UK (1984)	138.19	+0.1	119.92	104.92	107.88	121.26	+0.0	2.49	138.01	119.72	105.69	106.88	121.31	150.58	127.21	141.23
World Ex. So. Af. (2151)	141.20	+0.1	122.53	107.20	110.23	123.67	−0.1	2.73	141.06	122.37	108.03	109.24	123.75	153.05	130.04	144.00
World Ex. Japan (1739)	157.20	−0.2	136.41	119.35	122.73	145.55	−0.1	3.40	157.51	136.64	120.63	121.99	145.67	165.40	153.20	151.60
The World Index (2212)	141.34	+0.1	122.65	107.30	110.34	123.99	−0.1	2.74	141.21	122.50	108.14	109.36	124.06	153.70	130.66	144.69

At the recent quarterly panel meeting of the FT-Actuaries World Indices, it was decided to delete the following constituents with effect from October 1 1992: Cetelem (France), Premafin Finanziaria (Italy) and Kersaf (South Africa). Constituent change 23/9/92: Name change: Kyowa Saitama Bank to The Asahi Bank (Japan) Japanese market closed September 23.